

COMPANY REGISTRATION NUMBER 08804288

# CONSTELLATION BARCLAY UK LIMITED

## REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

TUESDAY



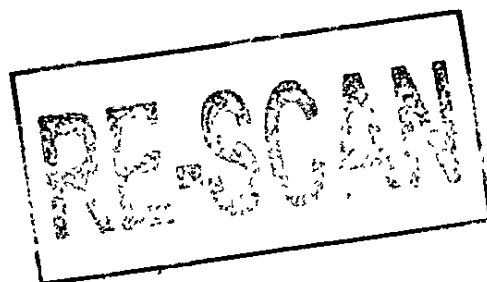
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# **CONSTELLATION BARCLAY UK LIMITED**

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**CONSTELLATION BARCLAY UK LIMITED**  
**COMPANY INFORMATION**

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|                          |   |
|--------------------------|---|
| <b>Company Secretary</b> | Zaki Nasser Zaki El-Gurzin  |
| <b>Directors</b>         | HE Sheikh Hamad Bin Jassim bin Jabr Al-Thani<br>Fady Jan Bakhos                                     |
| <b>Registered Office</b> | Lynton House<br>7-12 Tavistock Square<br>London<br>WC1H 9LT   |
| <b>Company Number</b>    | 08804288  |
| <b>Auditor</b>           | Menzies LLP<br>Chartered Accountants<br>Ashcombe House<br>5 The Crescent<br>Leatherhead<br>KT22 8DY |

## **CONSTELLATION BARCLAY UK LIMITED**

### **STRATEGIC REPORT**

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#### **BUSINESS REVIEW**

The principal activity of the Company during the period was that of an investment company

The company had no turnover during the period to 31 December 2015 and incurred a profit on ordinary activities before taxation of \$8,575,894

#### **FUTURE DEVELOPMENTS**

The Company is focused on managing its investments to provide a return to its owners


#### **KEY PERFORMANCE INDICATORS**

There are no key performance indicators fundamental to the understanding of the Company's activities

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

There are no matters concerning financial risk which are material for the assessment of the assets, liabilities, financial position and profit or loss of the company, other than as disclosed in Note 2 to the financial statements

On behalf of the board

A handwritten signature in black ink, appearing to read 'F J Bakhos', is written over a large, faint circular stamp or watermark.

F J Bakhos

Director

30 Sep 2016

## **CONSTELLATION BARCLAY UK LIMITED**

### **DIRECTORS' REPORT**

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The Directors submit their report and the financial statements of Constellation Barclay UK Limited for the period ended 31 December 2015

#### **RESULTS**

The results for the period are set out on page 8

#### **GOING CONCERN**

The Directors have reasonable expectation that the Company has sufficient financial resources to meet its requirements for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### **DIRECTORS**

The directors who served the company during the period were as follows

HE Sheikh Hamad Bin Jassim bin Jabr Al-Thani  
Fady Jan Bakhos

#### **STRATEGIC REPORT**

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the Company's Strategic Report Information Required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

#### **AUDITOR**

Menzies LLP have been re-appointed as auditors for the ensuing year in accordance with section 485 of the Companies Act 2006

On behalf of the board



F J Bakhos

Director

30 Sep 2016

## **CONSTELLATION BARCLAY UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES**

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The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **CONSTELLATION BARCLAY UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONSTELLATION BARCLAY UK LIMITED**

We have audited the financial statements of Constellation Barclay UK Limited for the period ended 31 December 2015 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

The description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**CONSTELLATION BARCLAY UK LIMITED**  
**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Menzies LLP*

Caroline Milton FCA (Senior Statutory Auditor)  
For and on behalf of Menzies LLP  
Chartered Accountants and Statutory Auditor  
Ashcombe House  
5 The Crescent  
Leatherhead  
Surrey  
KT22 8DY

Date *20 Oct 2016*



**CONSTELLATION BARCLAY UK LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2015**

|  | <i>Notes</i> | <b>Year ended 31<br/>Dec 2015</b> | <b>Period from 5<br/>Dec 13 to 31<br/>Dec 14</b> |
|--|--------------|-----------------------------------|--|
|  |              | <b>\$</b>                         | <b>\$</b>  |
| Administrative expenses                          |              | (16,677)                          | (17,474)   |
| <b>OPERATING PROFIT</b>                          |              | <b>(16,677)</b>                   | <b>(17,474)</b>                                  |
| Finance income                                   | <b>6</b>     | 8,592,571                         | 1,842,384  |
| <b>PROFIT BEFORE TAX</b>                         |              | <b>8,575,894</b>                  | <b>1,824,910</b>                                 |
| Tax charge                                       | <b>7</b>     | (40,617)                          | (3,249)  |
| <b>PROFIT FOR THE PERIOD</b>                     |              | <b>8,535,277</b>                  | <b>1,821,661</b>                                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b> |              | <b>8,535,277</b>                  | <b>1,821,661</b>                                 |

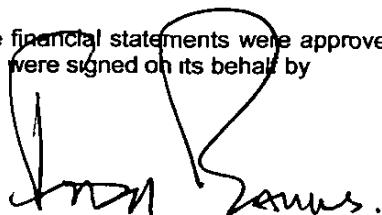
All revenue and operating results are derived from continuing operations

The notes on pages 12 to 20 form part of these financial statements

**CONSTELLATION BARCLAY UK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2015**

|                                     | <b>Notes</b> | <b>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|-------------------------------------|--------------|--------------------|--------------------|
| <b>NON-CURRENT ASSETS</b>           |              |                    |                    |
| Investment in subsidiaries          | 8            | 159,779,138        | 109,700,063        |
| Loans to subsidiaries               | 9            | 100,000,000        | 52,527,642         |
|                                     |              | <u>259,779,138</u> | <u>162,227,705</u> |
| <b>CURRENT ASSETS</b>               |              |                    |                    |
| Loans to subsidiaries               | 9            | 10,923,644         | 1,842,384          |
|                                     |              | <u>10,923,644</u>  | <u>1,842,384</u>   |
| <b>TOTAL ASSETS</b>                 |              | <u>270,702,782</u> | <u>164,070,089</u> |
| <b>EQUITY</b>                       |              |                    |                    |
| Share capital                       | 11           | 23,700,112         | 23,700,105         |
| Share premium                       | 11           | 236,079,026        | 138,527,600        |
| Retained earnings                   |              | 10,356,938         | 1,821,661          |
|                                     |              | <u>270,136,076</u> | <u>164,049,366</u> |
| <b>TOTAL EQUITY</b>                 |              | <u>270,136,076</u> | <u>164,049,366</u> |
| <b>CURRENT LIABILITIES</b>          |              |                    |                    |
| Loans from parent company           | 10           | 506,163            | -                  |
| Trade and other payables            | 10           | 16,677             | 17,474             |
| Income tax                          |              | 43,866             | 3,249              |
|                                     |              | <u>566,706</u>     | <u>20,723</u>      |
| <b>TOTAL LIABILITIES</b>            |              | <u>566,706</u>     | <u>20,723</u>      |
| <b>TOTAL EQUITY AND LIABILITIES</b> |              | <u>270,702,782</u> | <u>164,070,089</u> |

The financial statements were approved by the board of Directors and authorised for issue on 30 Sep 2016 and were signed on its behalf by



F J Bakhos

Company registration number 08804288

**CONSTELLATION BARCLAY UK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2015**

|                                 | Share capital<br>\$ | Share premium<br>\$ | Retained<br>earnings<br>\$ | Total<br>\$        |
|---------------------------------|---------------------|---------------------|----------------------------|--------------------|
| As at 5 December 2013           | -                   | -                   | -                          | -                  |
| Issue of shares                 | 23,700,105          | 138,527,600         | -                          | 162,227,705        |
| Comprehensive income for period | -                   | -                   | 1,821,661                  | 1,821,661          |
| <b>As at 31 December 2014</b>   | <b>23,700,105</b>   | <b>138,527,600</b>  | <b>1,821,661</b>           | <b>164,049,366</b> |
| Issue of shares                 | 7                   | 97,551,426          | -                          | 97,551,433         |
| Comprehensive income for period | -                   | -                   | 8,535,277                  | 8,535,277          |
| <b>As at 31 December 2015</b>   | <b>23,700,112</b>   | <b>236,079,026</b>  | <b>10,356,938</b>          | <b>270,136,076</b> |

**CONSTELLATION BARCLAY UK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 DECEMBER 2015**

|   | 2015<br>\$      | 2014<br>\$      |
|---|-----------------|-----------------|
| <b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>               |                 |                 |
| Operating loss  | (16,677)        | (17,474)        |
| <b>Operating cash flows before movements in working capital</b> | <u>(16,677)</u> | <u>(17,474)</u> |
| Increase in payables  | 16,677          | 17,474          |
| <b>Cash generated by operations</b>                             | <u>-</u>        | <u>-</u>        |
| <b>INVESTING ACTIVITIES</b>                                     | -               | -               |
| <b>FINANCING ACTIVITIES</b>                                     | -               | -               |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                | <u>-</u>        | <u>-</u>        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>         | -               | -               |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>               | <u>-</u>        | <u>-</u>        |

The notes on pages 12 to 20 form part of these financial statements

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

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**1. COMPANY INFORMATION**

Constellation Barclay UK Limited is a limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its principal place of business is Lynton House, 7-12 Tavistock Square, London, WC1H 9LT.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

**Basis of accounting**

The financial statements of Constellation Barclay UK Limited have been prepared on a going concern basis and in accordance with International Financial Reporting Standards' (IFRS) and IFRS Interpretations Committee's (IFRS IC) interpretations applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company has taken advantage of the exemption available from preparing consolidated accounts, S400 of the Companies Act 2006. As a result the accounts show information about the Company as an individual entity. However, the Company and its subsidiaries will be included in the consolidated accounts of the parent company, Constellation Hotels Holding Ltd, a company incorporated in Luxembourg.

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provisions for impairment in the financial statements of the Company. Dividends are accounted for when the Company becomes entitled to receive them. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Whenever events or changes in circumstances indicate that the carrying value of the investments may not be recoverable the investment is reviewed for impairment and impaired if required. The recoverable value of investments is the higher of its fair value less costs to sell and value in use.

Impairment charges are included in profit or loss.

**Foreign currencies**

The functional and presentation currency of the Company is US Dollar. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the reporting date. All exchange differences arising on settlement of foreign currency transactions and on retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

The principal exchange rates used in the preparation of the financial statements are

|          | Average for the period | Period end |
|----------|------------------------|------------|
|          | 2014                   | 2014       |
| Sterling | 1.6475                 | 1.5532     |
|          | 2015                   | 2015       |
| Sterling | 1.5283                 | 1.4824     |

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

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**2 SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument

All financial assets are classified as loans and receivables. All financial liabilities are classified as held at amortised cost. The Company does not have any other classes of financial assets and liabilities

**1) Loans and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets

**2) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

**3) Share Capital**

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classed as equity and recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium

**4) Loans and other payables**

Loans and payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period, these are classified as non-current liabilities

**Income taxes**

The tax expense represents the sum of current tax and deferred tax

The current tax is based on taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Income tax is charged or credited directly to equity if it relates to items that are credited or charge to equity. Otherwise income tax is recognised in the income statement

**Standards issued but not yet effective**

The Company has not early applied the following revised standards or amendments relating to the Company that have been issued but are not yet effective on 31 December 2015

| Amendment or revision related to. |  | Effective for annual periods beginning on or after: |
|-----------------------------------|--|---|
| Standard                          | Description  | Effective date                                      |
| IFRS 5                            | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2016                                      |
| IFRS 7                            | Financial instruments Disclosure                             | 1 January 2016/IFRS 9 effective date                |
| IFRS 9                            | Financial Instruments (issued October 2010)                  | 1 January 2018                                      |
| IFRS 10                           | Consolidated Financial Statements                            | 1 January 2016                                      |
| IFRS 11                           | Joint Arrangements   | 1 January 2016                                      |
| IFRS 12                           | Disclosure of Interests in Other Entities                    | 1 January 2016                                      |
| IFRS 14                           | Regulatory Deferral Accounts                                 | 1 January 2016                                      |
| IFRS 15                           | Revenue from Contracts with Customers                        | 1 January 2018                                      |
| IFRS 16                           | Leases   | 1 January 2019                                      |
| IFRS                              | for Small and Medium-sized Entities                          | 1 January 2017                                      |
| IAS 1                             | Presentation of Financial Statements                         | 1 January 2016                                      |
| IAS 7                             | Statement of Cash Flows                                      | 1 January 2017                                      |
| IAS 12                            | Income Taxes   | 1 January 2017                                      |
| IAS 16                            | Property plant and equipment                                 | 1 January 2016                                      |
| IAS 19                            | Employee benefits  | 1 January 2016                                      |
| IAS 27                            | Separate Financial Statements                                | 1 January 2016                                      |
| IAS 28                            | Investments in Associates and Joint Ventures                 | 1 January 2016                                      |
| IAS 34                            | Interim Financial Reporting                                  | 1 January 2016                                      |
| IAS 38                            | Intangible assets  | 1 January 2016                                      |
| IAS 39                            | Financial instruments  | IFRS 9 effective date                               |
| IAS 41                            | Agriculture  | 1 January 2016                                      |

The Company has yet to evaluate the impact that the application of the revised standards and amendments will have on the Company's results of operations and financial position

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The carrying value of investments in subsidiaries is subject to the performance of the subsidiaries' investments. The underlying asset, the InterContinental Barclay Hotel in New York remained closed during the year due to it undergoing a significant renovation. This renovation was completed in the second quarter of 2016, at which point the Hotel recommenced operations. For this reason the value of the investment is uncertain. However, the subsidiary undertaking has prepared forecasts that support the carrying value of the investment.

**4. FINANCIAL RISK MANAGEMENT**

The Company's principal financial instruments comprise of loans and receivables.

Transactions in financial instruments result in the Company assuming or transferring to another party one or more of the financial risks described below.

No sensitivity analysis has been provided as the Company is exposed to minimal market risk.

**Foreign currency risk**

The Company is exposed to currency risk through its activities in the United Kingdom where certain costs arise in Pounds Sterling, whilst the Company's functional currency is US Dollar. The Company has no formal policy in respect of foreign exchange risk, however it reviews its currency exposure on a regular basis. The foreign currency transactions that take place in the period are insignificant.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company has no overdraft or loan facilities, and therefore no material issues surrounding its liquidity.

**Maturity analysis**

The table below analyses the Company's financial liabilities basis based on amount outstanding at the statement of financial position date up to maturity date.

| 31 December 2015          | Less than 6 months<br>\$ | Between 6 months and 1 year<br>\$ | Between 1 and 5 years<br>\$ | Over 5 years<br>\$ | Total<br>\$    |
|---------------------------|--------------------------|-----------------------------------|-----------------------------|--------------------|----------------|
| Accruals                  | 16,677                   | -                                 | -                           | -                  | 16,677         |
| Loans from parent company | 506,163                  | -                                 | -                           | -                  | 506,163        |
| <b>Total liabilities</b>  | <b>522,840</b>           | <b>-</b>                          | <b>-</b>                    | <b>-</b>           | <b>522,840</b> |



**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**4 FINANCIAL RISK MANAGEMENT (continued)**

**31 December 2014**

|                          | Less than 6<br>months<br>\$ | Between<br>6 months<br>and 1 year<br>\$ | Between 1<br>and 5 years<br>\$ | Over 5<br>years<br>\$ | Total<br>\$   |
|--------------------------|-----------------------------|---|--------------------------------|-----------------------|---------------|
| Accruals                 | 17,474                      | -                                       | -                              | -                     | 17,474        |
| <b>Total liabilities</b> | <b>17,474</b>               | <b>-</b>                                | <b>-</b>                       | <b>-</b>              | <b>17,474</b> |

**Interest rate risk**

All of Company's intercompany loans receivable are at a fixed rate of interest

**31 December 2015**

|                           | Fixed<br>interest rate | Within 1<br>year<br>\$ | 1 to 2 years<br>\$ | Over 2<br>years<br>\$ | Total<br>\$        |
|---------------------------|------------------------|------------------------|--------------------|-----------------------|--------------------|
| <b>ASSETS</b>             |                        |                        |                    |                       |                    |
| Loans to subsidiaries     | 9.25%                  | 10,923,644             | -                  | 100,000,000           | 110,923,644        |
| <b>Total assets</b>       |                        | <b>10,923,644</b>      | <b>-</b>           | <b>100,000,000</b>    | <b>110,923,644</b> |
| <b>LIABILITIES</b>        |                        |                        |                    |                       |                    |
| Accruals                  |                        | 16,677                 | -                  | -                     | 16,677             |
| Loans from parent company | 0%                     | 506,163                | -                  | -                     | 506,163            |
| <b>Total liabilities</b>  |                        | <b>522,840</b>         | <b>-</b>           | <b>-</b>              | <b>522,840</b>     |
| <b>Net position</b>       |                        | <b>10,400,804</b>      | <b>-</b>           | <b>100,000,000</b>    | <b>110,400,804</b> |

**31 December 2014**

|                          | Fixed<br>interest rate | Within 1<br>year<br>\$ | 1 to 2 years<br>\$ | Over 2<br>years<br>\$ | Total<br>\$       |
|--------------------------|------------------------|------------------------|--------------------|-----------------------|-------------------|
| <b>ASSETS</b>            |                        |                        |                    |                       |                   |
| Loans to subsidiaries    | 9.25%                  | 1,842,384              | -                  | 52,527,642            | 54,370,026        |
| <b>Total assets</b>      |                        | <b>1,842,384</b>       | <b>-</b>           | <b>52,527,642</b>     | <b>54,370,026</b> |
| <b>LIABILITIES</b>       |                        |                        |                    |                       |                   |
| Accruals                 |                        | 17,474                 | -                  | -                     | 17,474            |
| <b>Total liabilities</b> |                        | <b>17,474</b>          | <b>-</b>           | <b>-</b>              | <b>17,474</b>     |
| <b>Net position</b>      |                        | <b>1,824,910</b>       | <b>-</b>           | <b>52,527,642</b>     | <b>54,352,552</b> |

**Credit risk**

Credit risk arises from the Company's loans and receivables

The Company holds no collateral against these receivables at the statement of financial position date

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**5 ADMINISTRATIVE COSTS**

|                       | 2015   | 2014   |
|-----------------------|--------|--------|
|                       | \$     | \$     |
| Auditors remuneration | 11,118 | 11,649 |

|   | 2015   | 2014   |
|---|--------|--------|
|   | \$     | \$     |
| <b>Company auditor's remuneration</b>       |        |        |
| Audit of Company accounts                   | 11,118 | 11,649 |
| Other services                              |        |        |
| - accounting services                       | 5,559  | 5,825  |
| <b>Total Company auditor's remuneration</b> | 16,677 | 17,474 |

**6 FINANCE INCOME**

|   | 2015      | 2014      |
|---|-----------|-----------|
|   | \$        | \$        |
| Interest income on financial assets classified as loans and receivables | 8,592,571 | 1,842,384 |

**7 INCOME TAX**

|                    | 2015   | 2014  |
|--------------------|--------|-------|
|                    | \$     | \$    |
| UK corporation tax | 40,617 | 3,249 |

Corporation tax is calculated at 20 25% of the estimated assessable profit for the period

The charge for the period can be reconciled to the profit per the statement of comprehensive income as follows

|   | 2015        | 2014      |
|---|-------------|-----------|
|   | \$          | \$        |
| Factors affecting tax charge for the period   |             |           |
| Profit before taxation  | 8,575,894   | 1,824,910 |
| Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20 25% | 1,736,619   | 392,356   |
| Effects of Group relief   | (1,696,002) | (389,107) |
| Total current tax   | 40,617      | 3,249     |
| Total deferred tax  | -           | -         |
| Tax on profit/(loss) on ordinary activities   | 40,617      | 3,249     |

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**8 INVESTMENTS**

|   | <b>Investments in<br/>subsidiaries<br/>\$</b> |
|---|---|
| <b>Cost</b>                               |   |
| At 1 January 2014                         | -   |
| Additions                                 | 109,700,063                                   |
| <b>At 31 December 2014</b>                | <b>109,700,063</b>                            |
| <b>Cost</b>                               |   |
| At 1 January 2015                         | 109,700,063                                   |
| Additions                                 | 50,079,075                                    |
| <b>At 31 December 2015</b>                | <b>159,779,138</b>                            |
| <b>Net book value at 31 December 2015</b> | <b>159,779,138</b>                            |
| Net book value at 31 December 2014        | 109,700,063                                   |
| Net book value at 5 December 2013         | -   |

On 19 December 2013, the Company acquired 100% of Constellation Barclay US, LLC, incorporated in the United States for a consideration of \$23,700,100

The Company has made the following further capital contributions to Constellation Barclay US, LLC

|                  | <b>Total<br/>contribution<br/>\$</b> |
|------------------|--------------------------------------|
| 31 March 2014    | 85,999,963                           |
| 3 June 2015      | 15,975,175                           |
| 13 August 2015   | 25,801,564                           |
| 28 October 2015  | 5,093,530                            |
| 31 December 2015 | 3,208,806                            |

The principal activity of Constellation Barclay US, LLC is that of an investment company. The results for the subsidiary for the period are as follows

|                                | <b>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|--------------------------------|--------------------|--------------------|
| Aggregate capital and reserves | 168,627,996        | 120,428,910        |
| (Loss)/ Profit in the period   | (665,471)          | 10,729,097         |

The company also has an indirect holding in the following companies

| <b>Name</b>                                    | <b>Country of<br/>incorporation</b> | <b>Nature of business</b>   | <b>Percentage of<br/>equity owned</b> |
|--|-------------------------------------|-----------------------------|---------------------------------------|
| Constellation Barclay Invest UK Limited        | United Kingdom                      | Investment company          | 100%                                  |
| Constellation Barclay Holding US, LLC          | United States                       | Investment company          | 100%                                  |
| 111 East 48 <sup>th</sup> Street Holdings, LLC | United States                       | Hotels and<br>accommodation | 80%                                   |

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

**9. TRADE AND OTHER RECEIVABLES**

|  | 2015<br>\$         | 2014<br>\$        |
|--|--------------------|-------------------|
| Amounts falling due within one year              |                    |                   |
| Loans to subsidiaries                            | 10,923,644         | 1,842,384         |
|  | <u>10,923,644</u>  | <u>1,842,384</u>  |
| Amounts falling due within greater than one year |                    |                   |
| Loans to subsidiaries                            | 100,000,000        | 52,527,642        |
|  | <u>100,000,000</u> | <u>52,527,642</u> |

There is no material difference between carrying and fair values

In connection with the Loans to subsidiaries due within one year amounting to \$10,923,644 (2014 \$1,842,384), there is an option available to accrue the receipt of this amount until May 2020. This option is expected to be exercised.

**10. TRADE AND OTHER PAYABLES**

|                                     | 2015<br>\$     | 2014<br>\$    |
|-------------------------------------|----------------|---------------|
| Amounts falling due within one year |                |               |
| Accruals                            | 16,677         | 17,474        |
| Loans from parent company           | 506,163        | -             |
|                                     | <u>522,840</u> | <u>17,474</u> |

There is no material difference between carrying and fair values

**11. CALLED UP SHARE CAPITAL**

Issued, called up and fully paid

|                             | No of shares      | 31 December 14<br>Share capital<br>\$ | Share premium<br>\$ |
|-----------------------------|-------------------|---------------------------------------|---------------------|
| Ordinary shares of \$1 each | 23,700,105        | 23,700,105                            | 138,527,600         |
|                             | <u>23,700,105</u> | <u>23,700,105</u>                     | <u>138,527,600</u>  |
|                             | No of shares      | 31 December 15<br>Share capital<br>\$ | Share premium<br>\$ |
| Ordinary shares of \$1 each | 23,700,112        | 23,700,112                            | 236,079,026         |
|                             | <u>23,700,112</u> | <u>23,700,112</u>                     | <u>236,079,026</u>  |

At incorporation 23,700,100 Ordinary \$1 shares were issued at par

On 31 March 2014, one Ordinary \$1 share was issued for a consideration of \$85,999,963

On 12 May 2014, one Ordinary \$1 share was issued for a consideration of \$3,366,959

On 20 June 2014, one Ordinary \$1 share was issued for a consideration of \$16,975,330

On 22 July 2014, one Ordinary \$1 share was issued for a consideration of \$17,838,762

On 4 December 2014, one Ordinary \$1 share was issued for a consideration of \$14,346,591

On 7 January 2015, one Ordinary \$1 share was issued for a consideration of \$13,349,660

**CONSTELLATION BARCLAY UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 31 DECEMBER 2015**

---

**11 CALLED UP SHARE CAPITAL (continued)**

On 19 February 2015, one Ordinary \$1 share was issued for a consideration of \$13,537,896

On 29 April 2015, one Ordinary \$1 share was issued for a consideration of \$16,511,496

On 3 June 2015, one Ordinary \$1 share was issued for a consideration of \$20,048,481

On 13 August 2015 one further Ordinary \$1 share was issued for a consideration of \$25,801,564

On 28 October 2015 one further Ordinary \$1 share was issued for a consideration of \$5,093,530

On 31 December 2015 one further Ordinary \$1 share was issued for a consideration of \$3,208,806

**12. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY**

The ultimate parent company was Pioneer Holding S A, a company incorporated in Luxembourg up until 15 September 2015. As of this date Prime Capital S A became the ultimate parent company. Consolidated financial statements can be obtained from 15 Boulevard Roosevelt, L-2450, Luxembourg.

The immediate parent company is Constellation Barclay US, LLC, a limited liability company incorporated in United States.

The ultimate controlling party is His Excellency Sheikh Hamad Bin Jassim bin Jabr Al-Thani, by the virtue of his majority shareholding in Prime Capital S A.

**13 RELATED PARTY TRANSACTIONS**

During the period the Company issued loan notes of \$47,472,358 (2014 \$52,527,642) to Constellation Barclay US, LLC, a 100% owned subsidiary which are not due for repayment until 2024.

During the period, interest of \$8,592,571 (2014 \$1,842,384) was charged to Constellation Barclay US, LLC by the Company in respect of the above loan notes at a fixed rate of 9.25% per annum.

As at 31 December 2015, the Company was owed \$110,923,644 (2014 \$54,370,026) by Constellation Barclay US, LLC.

As at 31 December 2015, the Company owed \$506,163 (2014 \$Nil) to its parent company Constellation Hotels Holding Limited. There is no interest on this loan.

**14 KEY MANAGEMENT COMPENSATION**

The key management personnel are considered to be the directors who received no remuneration during the period.

CONSTELLATION HOTELS HOLDING LTD S C A

15, boulevard Roosevelt L-2450 LUXEMBOURG

R C S LUXEMBOURG B 167 941

Consolidated Financial Statements, Independent auditor's report and  
Consolidated management report  
as at 31 December 2015

THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY  
No. 8804288

## CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

|  | Pages |
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| Consolidated statement of Profit or Loss .....       | 9     |
| Consolidated statement of Comprehensive Income ..... | 10    |
| Consolidated statement of Cash Flows .....           | 11    |
| Consolidated statement of Changes in Equity .....    | 12    |
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**Constellation Hotels Holding Ltd S.C.A.**  
**Société en Commandite par Actions**

**Registered office: 15, boulevard Roosevelt L-2450 LUXEMBOURG**

**R.C.S LUXEMBOURG B167941**

**MANAGEMENT REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31  
DECEMBER 2015**

**GENERAL**

Constellation Hotels Holding Ltd S.C.A. is a partnership limited by shares ("société en commandite par actions") under Luxembourg law, incorporated in Luxembourg on 26 March 2012

The Company was incorporated as a public limited company ("Société Anonyme") On 31 December 2013, the shareholders decided to change the legal form of the Company to transform it into a partnership limited by shares. In addition, the shareholders decided as of the same date to decrease the share capital of the Company from EUR 400,031,000 to EUR 166,031,000

Further, during the year 2014, in order to finance the new acquisitions of the Company, the shareholders decided to increase the Company's equity by several capital contributions totalling EUR 239,281,364

Afterwards, during the year 2015, also in order to finance the new acquisitions of the Company, the shareholders decided to increase the Company's equity by several capital contributions totalling EUR 1,044,247,417

On 15 September 2015, Pioneer Holding S.A., a former shareholder, sold their entire 49.99% holding of the Group to Prime Capital S.A.

Thus, the share capital of the Company is divided into 1,660,310 shares which are allocated as follows

- 830,154 ordinary A shares to Prime Capital S.A. ;
- 830,154 ordinary B shares to Regis Investment S.A. ,
- 1 unlimited shares to Constellation Hotels Holding GP S.à r.l., a company governed by the laws of the Grand Duchy of Luxembourg,
- 1 unlimited shares to Regis Limited S.à r.l., a company governed by the laws of the Grand Duchy of Luxembourg

Constellation Hotels Holding Ltd S.C.A. and its subsidiaries (hereafter the "Group") own and operate luxury hotels and real estate properties located in Europe and the United States. The depth of this field of activity has allowed the Group to acquire a real know-how in this so particular area. Further, the Group invests as well in participations owning real estate properties



## KEY EVENTS

During 2015, the Company has acquired the following additional participations in affiliated companies

- 100% of the share capital of CONSTELLATION HOTELS FRANCE GROUP HOLDING S A , which through a structure of Luxembourg companies acquired the Intercontinental Paris le Grand Hotel, located in rue Scribe in Paris. The closing of the deal occurred in May 2015
- 100% of the share capital of CHH FINANCE S A whose aim is to invest in Notes issued by LOV Hotel Collection, owner of several hotels in France e.g. Les Airelles, Le Mélezin, La Bastide de Gordes. The closing of the deal also occurred in May 2015
- 100% of the share capital of Constellation Hungary S A , formerly denominated as CHH France 2 S A , which was projected to enter into a cooperation agreement, in 2016, with various parties who are jointly interested in the realization of a real estate development project in Budapest, Hungary, 2 purchase, in 2016 also, interests in a company in Hungary that owns properties in Budapest also
- 100% of the share capital of Séléne S à r l which through a structure of UK Companies owns Claridge's, Connaught and the Berkeley hotels in London. In April 2015, the Company acquired 60% of this structure and in October, acquired the remaining 40% through Séléne S à r l
- However, in 2015, 100% share capital of an affiliated company of the Company's subsidiary, Mark Invest Holdings (ex CHH France 1) S A , have been transferred to the Company's sister company, Cornerstone Commercial Properties Holdings S A

Subsequent to 31 December 2015, the following events have occurred

- Constellation Hungary S A , a subsidiary of the Company, entered a cooperation agreement, dated 1 February 2016, with various parties who are jointly interested in the realization of a real estate development project on the Kopaszi Bay in Budapest, Hungary. The closing of this deal occurred on 19 April 2016. The same subsidiary also purchased the equity and debt interests of a Hungarian company who owns retail units and office space in Budapest also. This deal was finalized on April 2016 also

The Group is engaged in acquisition of hotels, commercial, retail as well as mixed-use real estate properties and investment in financial instruments. The details of the hotel business acquisitions of the year by the Group have been disclosed in note 7. The Group kept all its participations and investments which it has acquired so far. The Group decided to expand its scope of action by continuing to focus on prestigious and luxurious establishments with an asserted notoriety.

## RESEARCH & DEVELOPMENT

There is no research and development activity within the Group during the year 2015 (2014 nil)

## OWN SHARES

As at 31 December 2015, there is no own shares held by the Group itself.

## BRANCH

There is no branch of any Group member in the year 2015



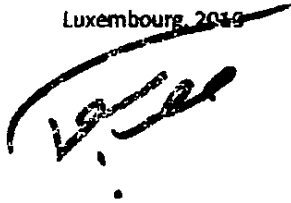

#### **SUBSEQUENT EVENTS**

Regarding subsequent events, they can be referred to in note 30.

#### **FINANCIAL RISK**

Regarding financial risk, it can be referred to in note 20.

Luxembourg, 2016

A large, stylized handwritten signature in black ink, appearing to be 'L. 2016' or similar, written over the printed text 'Luxembourg, 2016'.Handwritten initials or a signature in the bottom left corner, consisting of a large 'S' and a smaller 'S'.



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Einst & Young  
Société anonyme

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B.P. 780  
L 2011 Luxembourg

R.C.S. Luxembourg B 47 771  
TVA LU 16063074

## Independent auditor's report

To the Shareholders of  
Constellation Hotels Holding Ltd S C A  
15, boulevard Roosevelt  
L-2450 Luxembourg

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Constellation Hotels Holding Ltd S C A (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information

*Board of Managers of Constellation Hotels Holding GP S à r l (the "General Partner") responsibility for the consolidated financial statements*

The Board of Managers of the General Partner is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Managers of the General Partner determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

### *Responsibility of the "réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



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*Responsibility of the 'réviseur d'entreprises agréé (continued)*

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

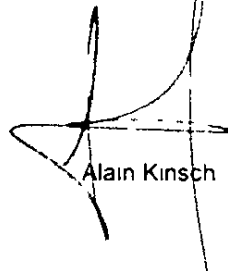
*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Constellation Hotels Holding Ltd S C A as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union


**Report on other legal and regulatory requirements**

The consolidated management report, which is the responsibility of the Board of Managers of the General Partner, is consistent with the consolidated financial statements

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Alain Kirsch



Pavel Nesvedov

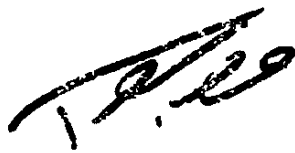
Luxembourg, 5 October 2016

## Consolidated Statement of Financial Position as at 31 December 2015

### Assets

| NON-CURRENT ASSETS - (in thousands of euros) | Notes | 31 Dec. 2015     | 31 Dec. 2014     |
|--|-------|------------------|------------------|
| Property, plant and equipment                | 9     | 3 409 716        | 1 313 293        |
| Investment properties                        | 11    | 1 126 989        | 988 281          |
| Intangible assets                            | 8     | 956 833          | 596 764          |
| Others non-current financial assets          | 12    | 544 371          | 201 338          |
| Deferred tax assets                          | 21    | 39 221           | 19 063           |
|  |       | <b>6 077 130</b> | <b>3 118 739</b> |
| <b>CURRENT ASSETS</b>                        |       |                  |                  |
| Inventories                                  |       | 7 457            | 2 264            |
| Trade and other receivables                  | 13    | 29 565           | 12 398           |
| Other current assets                         | 14    | 397 340          | 28 451           |
| Current tax receivables                      |       | 7 363            | 4 352            |
| Cash and cash equivalents                    | 15    | 277 976          | 162 225          |
|  |       | <b>719 701</b>   | <b>209 690</b>   |
| <b>TOTAL ASSETS</b>                          |       | <b>6 796 831</b> | <b>3 328 429</b> |

The accompanying notes on pages 13 - 58 are an integral part of these consolidated financial statements




## Consolidated Statement of Financial Position (continued)

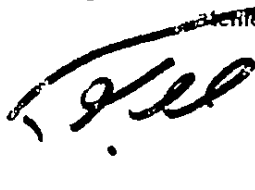
as at 31 December 2015

### Equity and Liabilities

(In thousands of euros)

|   | Notes | 31 Dec. 2015     | 31 Dec. 2014     |
|---|-------|------------------|------------------|
| <b>EQUITY</b>   |       |                  |                  |
| Issued share capital  | 16    | 166 031          | 166 031          |
| Legal reserve   | 16    | 676              |                  |
| Contribution without issue of shares                        | 16    | 1 283 529        | 739 191          |
| Foreign currency translation reserve                        |       | 14 806           | (4 125)          |
| Other reserves  | 16    | (7 305)          | (12 794)         |
| Retained earnings   |       | (118 696)        | (836)            |
| Equity attributable to equity holders of the parent company |       | 1 329 041        | 389 557          |
| Non controlling interests                                   |       | 70 086           | 40 529           |
| <b>TOTAL EQUITY</b>   |       | <b>1 409 127</b> | <b>430 086</b>   |
| <b>NON-CURRENT LIABILITIES</b>                              |       |                  |                  |
| Interest bearing loans and borrowings                       | 17    | 4 100 675        | 2 384 187        |
| Deferred tax liabilities                                    | 21    | 456 071          | 152 354          |
| Other non-current liabilities                               |       | 10 443           | 10 902           |
| Derivative financial instruments                            | 18    | 25 847           | 21 217           |
| Provisions  |       | 10 167           | 3 632            |
|   |       | 4 603 201        | 2 572 292        |
| <b>CURRENT LIABILITIES</b>                                  |       |                  |                  |
| Interest bearing loans and borrowings                       | 17    | 606 790          | 212 341          |
| Trade payables  |       | 59 836           | 37 227           |
| Other current payables                                      | 19    | 109 162          | 66 972           |
| Current tax payables  |       | 4 614            | 6 376            |
| Provisions  |       | 4 101            | 3 135            |
|   |       | 784 503          | 326 051          |
| <b>TOTAL LIABILITIES</b>                                    |       | <b>5 387 704</b> | <b>2 898 343</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                         |       | <b>6 796 831</b> | <b>3 328 429</b> |

The accompanying notes on pages 13 – 16 are an integral part of these consolidated financial statements




## Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

| (in thousands of euros)                         | Notes | For the year ended<br>31 December 2015 | For the year ended<br>31 December 2014 |
|---|-------|--|--|
| Revenue   | 22    | 558 596                                | 324 555                                |
| Fair value adjustments in investment properties | 11    | 25 177                                 | 8 210                                  |
| Operating expense                               | 23    | (513 620)                              | (294 928)                              |
| Other operating income                          | 25    | 28 621                                 | 16 945                                 |
| <b>Operating profit</b>                         |       | <b>98 774</b>                          | <b>54 782</b>                          |
| Other non-operating income                      |       | 208                                    | 3 094                                  |
| Other non-operating expense                     | 26    | (80 336)                               | (1 143)                                |
| Finance income                                  | 24    | 23 205                                 | 4 180                                  |
| Finance expense                                 | 24    | (189 546)                              | (82 517)                               |
| <b>LOSS BEFORE TAX</b>                          |       | <b>(147 695)</b>                       | <b>(21 604)</b>                        |
| Income tax expense                              | 21    | 25 408                                 | (3 184)                                |
| <b>LOSS FOR THE YEAR</b>                        |       | <b>(122 287)</b>                       | <b>(24 788)</b>                        |
| Attributable to                                 |       |  |  |
| Equity holders of the parent                    |       | (117 184)                              | (21 483)                               |
| Non-Controlling Interests (NCI)                 |       | (5 103)                                | (3 305)                                |

The accompanying notes on pages 13 - 58 are an integral part of these consolidated financial statements.

*T. Leo*

*CAJ P*

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

| (in thousands of euros)  | Notes | For the year ended<br>31 December 2015 | For the year ended<br>31 December 2014 |
|--|-------|--|--|
| <b>LOSS FOR THE YEAR</b>   |       | <b>(122 284)</b>                       | <b>(24 788)</b>                        |
| Actuarial (losses) on defined benefit plans, net of deferred taxes, not to be reclassified in the P&L in subsequent period |       | 3 342                                  | (293)                                  |
| Fair value (losses) on derivative financial instruments to be reclassified in the P&L in subsequent period                 | 18    | 2 147                                  | (9 353)                                |
| Exchange differences on translation of foreign operations to be reclassified in the P&L in subsequent period               |       | 20 844                                 | 3 518                                  |
| Other comprehensive income, net of tax   |       | 26 333                                 | (6 128)                                |
| <b>Total comprehensive loss for the year, net of tax</b>   |       | <b>(95 954)</b>                        | <b>(30 916)</b>                        |
| Attributable to  |       |  |  |
| Equity holders of the parent   |       | (94 764)                               | (28 807)                               |
| Non-Controlling Interests (NCI)  |       | (1 190)                                | (2 109)                                |

The accompanying notes on pages 13 - 58 are an integral part of these consolidated financial statements.

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*[Handwritten signature]*



## Consolidated Statement of Cash Flows

For the year ended 31 December 2015  
(thousands of euros)

|   | Notes  | For the year ended<br>31 December 2015 | For the year ended<br>31 December 2014 |
|---|--------|--|--|
| <b>Operating activities</b>   |        |  |  |
| Loss before tax   |        | <del>(142 635)</del>                   | <del>(21 618)</del>                    |
| <b>Adjustments to reconcile (loss) before tax to net cash flows</b>     |        |  |  |
| Depreciation and impairment of property, plant and equipment            | 9      | 62 128                                 | 28 509                                 |
| Amortization and impairment of intangible assets                        | 9      | 96 966                                 | 3 617                                  |
| Change in fair value of investment properties and derivative            | 11; 18 | (14 835)                               | (5 992)                                |
| Adjustment for other non cash items                                     |        | 41 340                                 | -                                      |
| Interest income   | 21     | (18 837)                               | (4 128)                                |
| Interest expense  | 24     | 174 593                                | 76 533                                 |
| <b>Working capital adjustments</b>                                      |        |  |  |
| (increase) in trade and other receivables and prepayments               |        | (6 433)                                | (6 522)                                |
| Increase in trade and other payables                                    |        | 18 210                                 | 12 841                                 |
| <b>Received / paid interest adjustments</b>                             |        |  |  |
| Interest received   |        | 18 837                                 | 4 128                                  |
| Interest paid   |        | (126 219)                              | (40 873)                               |
| Income tax paid   |        | (8 871)                                | (11 005)                               |
| <b>Net cash flows from operating activities</b>                         |        | <b>94 184</b>                          | <b>35 504</b>                          |
| <b>Investing activities</b>   |        |  |  |
| Purchase of property, plant and equipment including capital expenditure |        | (157 844)                              | (60 274)                               |
| Purchase of investment properties including capital expenditure         | 11     | (31 671)                               | (564 530)                              |
| Issuance of bonds and loans   |        | (338 947)                              | -                                      |
| Repayment of the loans given  |        | -                                      | 68 589                                 |
| Acquisition of subsidiaries, net of cash acquired                       |        | (1 215 964)                            | (299 036)                              |
| <b>Net cash flows used in investing activities</b>                      |        | <b>(1 744 426)</b>                     | <b>(855 241)</b>                       |
| <b>Financing activities</b>   |        |  |  |
| Contribution without issue of shares increase / (decrease)              | 16     | 1 044 248                              | 239 281                                |
| Proceeds from borrowings  |        | 1 039 295                              | 668 599                                |
| Repayment of borrowings   |        | (316 615)                              | (88 119)                               |
| <b>Net cash flows from financing activities</b>                         |        | <b>1 766 928</b>                       | <b>819 761</b>                         |
| <b>Net increase (decrease) in cash and cash equivalents</b>             |        | <b>116 687</b>                         | <b>24</b>                              |
| Net foreign exchange difference   |        | (21 033)                               | 3 519                                  |
| Cash and cash equivalents at 1 January                                  |        | 154 582                                | 151 039                                |
| Cash and cash equivalents at 31 December                                | 15     | <b>258 235</b>                         | <b>154 582</b>                         |

The accompanying notes on pages 13 - 58 are an integral part of these consolidated financial statements

## Consolidated Statement of Changes in Equity

as at 31 December 2015

| (in thousands of euros)                     | Issued share capital | Legal reserve | Contribution without issue of shares | Foreign currency translation reserve | Other reserves | Retained earnings | Equity attributable to equity holders of the parent company | Non controlling interests | Total Equity |
|---|----------------------|---------------|--------------------------------------|--------------------------------------|----------------|-------------------|---|---------------------------|--------------|
| At 31 December 2014                         | 144 031              |               |                                      | (4 407)                              | (9 348)        | 20 647            | 179 063   |                           | 179 063      |
| Profit for the period                       |                      |               |                                      |                                      |                | (21 483)          | (21 483)  | (5 395)                   | (24 768)     |
| Other Comprehensive Income                  |                      |               |                                      | 2 322                                | (9 646)        | (7 324)           | (7 324)   | 1 196                     | (6 126)      |
| Total comprehensive income                  |                      |               |                                      | 2 322                                | (9 646)        | (21 483)          | (24 768)  | (1 196)                   | (30 916)     |
| Capital contribution without issuing shares |                      |               | 239 281                              |                                      |                |                   | 239 281   |                           | 239 281      |
| Non-controlling interests on acquisitions   |                      |               |                                      |                                      |                |                   |   | 42 638                    | 42 638       |
| At 31 December 2015                         | 144 031              |               | 239 281                              | (2 322)                              | (12 794)       | (30 647)          | 388 857   | 40 829                    | 430 066      |
| Profit for the period                       |                      |               |                                      |                                      |                | (117 184)         | (117 184)   | (9 103)                   | (126 287)    |
| Other Comprehensive Income                  |                      |               |                                      | 16 831                               | 5 489          |                   | 22 320  | 15 518                    | 28 339       |
| Total comprehensive income                  |                      |               |                                      | 16 831                               | 5 489          | (117 184)         | (94 864)  | (11 100)                  | (66 654)     |
| Capital contribution without issuing shares |                      |               | 1 044 242                            |                                      |                |                   | 1 044 242   | 30 747                    | 1 074 989    |
| Other movement                              |                      | 676           |                                      |                                      |                | (676)             |   |                           |              |
| At 31 December 2015                         | 144 031              | 676           | 1 283 523                            | 14 506                               | (7 305)        | (118 698)         | 1 839 041   | 70 088                    | 1 499 177    |

The accompanying notes on pages 13-59 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity as at 31 December 2015

|   | (in thousands of euros) | Issued share capital | Legal reserve | Contribution without issue of shares | Foreign currency translation reserve | Other reserves  | Retained earnings | Equity attributable to equity holders of the parent company | Non controlling interests | Total Equity     |
|---|-------------------------|----------------------|---------------|--------------------------------------|--------------------------------------|-----------------|-------------------|---|---------------------------|------------------|
| <b>At 31 December 2013</b>                  |                         | <b>166 031</b>       |               |                                      |                                      | <b>(3 148)</b>  | <b>130 647</b>    | <b>179 083</b>  |                           | <b>175 935</b>   |
| Profit for the period                       |                         |                      |               |                                      | <b>(4 447)</b>                       |                 | <b>(21 453)</b>   | <b>(21 453)</b>   | <b>(5 245)</b>            | <b>(24 700)</b>  |
| Other Comprehensive Income                  |                         |                      |               |                                      | <b>2 321</b>                         | <b>(9 646)</b>  |                   | <b>(7 324)</b>  | <b>1 196</b>              | <b>(6 128)</b>   |
| Total Comprehensive Income                  |                         |                      |               |                                      | <b>2 321</b>                         | <b>(9 646)</b>  |                   | <b>(28 807)</b>   | <b>(4 049)</b>            | <b>(30 916)</b>  |
| Capital contribution without issuing shares |                         |                      |               | <b>239 281</b>                       |                                      |                 |                   | <b>239 281</b>  |                           | <b>239 281</b>   |
| Non-controlling interests on acquisitions   |                         |                      |               |                                      |                                      |                 |                   |   | <b>42 638</b>             | <b>42 638</b>    |
| <b>At 31 December 2014</b>                  |                         | <b>166 031</b>       |               | <b>239 281</b>                       | <b>(1 125)</b>                       | <b>(12 794)</b> | <b>(836)</b>      | <b>389 557</b>  | <b>40 529</b>             | <b>430 086</b>   |
| Profit for the period                       |                         |                      |               |                                      |                                      |                 | <b>(117 159)</b>  | <b>(117 159)</b>  | <b>(5 147)</b>            | <b>(122 306)</b> |
| Other Comprehensive Income                  |                         |                      |               |                                      | <b>16 321</b>                        | <b>5 489</b>    |                   | <b>21 810</b>   | <b>2 513</b>              | <b>24 323</b>    |
| Total Comprehensive Income                  |                         |                      |               |                                      | <b>16 321</b>                        | <b>5 489</b>    |                   | <b>(95 349)</b>   | <b>(2 634)</b>            | <b>(88 986)</b>  |
| Capital contribution without issuing shares |                         |                      |               | <b>1 044 342</b>                     |                                      |                 |                   | <b>1 044 342</b>  | <b>30 747</b>             | <b>1 075 089</b> |
| Other movement                              |                         | <b>676</b>           |               |                                      |                                      |                 | <b>(676)</b>      |   |                           |                  |
| <b>At 31 December 2015</b>                  |                         | <b>166 031</b>       |               | <b>1 283 523</b>                     | <b>14 806</b>                        | <b>(7 305)</b>  | <b>(118 696)</b>  | <b>1 339 041</b>  | <b>70 086</b>             | <b>1 409 127</b> |

## Notes to the consolidated financial statements

### Note 1: Corporate Information

Constellation Hotels Holding Ltd S.C.A. (hereafter "Constellation Hotels Holding", the "Company") was incorporated as a public limited company ("Société Anonyme") in Luxembourg on 26 March 2012

On 31 December 2013, the shareholders decided to change the legal form of the Company to transform it into a partnership limited by shares ("Société en commandite par actions") under Luxembourg law. At the same date the shareholders decided to decrease the share capital of the Company from EUR 400,031,000 to EUR 166,031,000. The registered office of the Company is at 15, boulevard Roosevelt, L-2450 Luxembourg, and the Company is registered in the Luxembourg Trade and Companies Register under the number B 167 941

Constellation Hotels Holding Ltd S.C.A. and its subsidiaries (hereafter the "Group") is engaged in acquisition of hotels, commercial, retail as well as mixed-use real estate properties and investment in financial instruments

As of 31 December 2015, the Company is owned by the following shareholders

| Name                                    | Country of incorporation | Number of shares | Percentage of ownership |
|---|--------------------------|------------------|-------------------------|
| Prime Capital S.A                       | Luxembourg               | 830 154          | 49.99%                  |
| Regis Investment S.A                    | Luxembourg               | 830 154          | 49.99%                  |
| Constellation Hotels Holding GP S.à r.l | Luxembourg               | 1                | 0.01%                   |
| Regis Limited S.à r.l                   | Luxembourg               | 1                | 0.01%                   |

On 15 September 2015, the 49.99% of the Group was sold to Prime Capital SA for an amount of EUR 251 951 million (this amount may be adjusted according to certain provision of the share transfer agreement)

The consolidated accounts of Prime Capital S.A. are available at its head office at 15, boulevard Roosevelt, L-2450 Luxembourg

### Note 2: Basis of Preparation

The consolidated financial statements were authorized by the Board of Managers of Constellation Hotels Holding GP S.à r.l, the General Partner of the Company (the "Management"), on 2016

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment properties, employee benefit plan and contingent consideration that have been measured at fair value

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated

The consolidated financial statements provide comparative information in respect of the previous period

The consolidated financial statements have been prepared on a going concern basis

### Note 3: Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. The financial statements prepared in accordance with local accounting principles for each Company falling within the Group, and being consolidated have been restated to conform to Group policies prior to consolidation.

Non-controlling interests, if any, represent the portion of profit and loss and net assets not held by the Group and are shown separately in the income statement and within equity in the consolidated statement of financial position, separately from parent's shareholders equity.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and,
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received

- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities



## Note 4: Group information

The consolidated financial statements of the Group include the following entities

| Name   | Principal activities | Country of Incorporation | % equity interest<br>2015 | 2014   |
|--|----------------------|--------------------------|---------------------------|--------|
| Constellation Hotels France S.A.S.             | Hotel Business       | France                   | 100%                      | 100%   |
| Société du Palais de la Méditerranée           | Hotel Business       | France                   | 100%                      | 100%   |
| Société du Louvre-La Fayette S.A.S.            | Hotel Business       | France                   | 100%                      | 100%   |
| Hotel Martinez S.A.S.                          | Hotel Business       | France                   | 100%                      | 100%   |
| Constellation Etoile S.A.S.                    | Hotel Business       | France                   | 100%                      | 100%   |
| Constellation du Louvre S.A.S.                 | Hotel Business       | France                   | 100%                      | 100%   |
| Constellation Hotel Martinez S.A.S.            | Hotel Business       | France                   | 100%                      | 100%   |
| Constellation Palais de la Méditerranée S.A.S. | Hotel Business       | France                   | 100%                      | 100%   |
| Fleet Street Investments I Ltd                 | Investment Property  | Cayman Islands           | 100%                      | 100%   |
| Fleet Street Investments II Ltd                | Investment Property  | Cayman Islands           | 100%                      | 100%   |
| Fleet Street Investments III Ltd               | Investment Property  | British Virgin Islands   | 100%                      | 100%   |
| CU.GI.MI S.p.A.                                | Hotel Business       | Italy                    | 100%                      | 100%   |
| Constellation Hotel (OpCo) UK S.A.             | Hotel Business       | Luxembourg               | 100%                      | 100%   |
| Constellation Hotel UK S.A.                    | Hotel Business       | Luxembourg               | 100%                      | 100%   |
| Constellation Barclay UK Ltd                   | Holding company      | UK                       | 100%                      | 100%   |
| Constellation Barclay US, LLC                  | Hotel Business       | United States            | 100%                      | 100%   |
| Constellation Barclay Invest UK, Ltd           | Holding company      | UK                       | 100%                      | 100%   |
| Constellation Barclay Holding US, LLC          | Hotel Business       | United States            | 100%                      | 100%   |
| 111 East 48 Street Holdings LLC                | Holding company      | United States            | 80.01%                    | 80.01% |
| Ballet Properties S.A.                         | Holding company      | Luxembourg               | 100%                      | 100%   |
| QPR Properties Ltd                             | Hotel Business       | Hungary                  | 100%                      | 100%   |
| Helens RE S.A.                                 | Holding company      | Luxembourg               | 100%                      | 100%   |

|  |                     |                |        |        |
|--|---------------------|----------------|--------|--------|
| Helens RE I Commercial Investments                 | Investment Property | Greece         | 100%   | 100%   |
| Helens RE II Commercial Investments                | Investment Property | Greece         | 100%   | 100%   |
| Helens RE III Commercial Investments               | Investment Property | Greece         | 100%   | 100%   |
| Helens RE IV Commercial Investments                | Investment Property | Greece         | 100%   | 100%   |
| CHH Finance S.A.                                   | Holding company     | Luxembourg     | 100%   | 100%   |
| Constellation OWS Holding S.A.                     | Investment Property | Luxembourg     | 100%   | 100%   |
| Constellation OWS Corporation Inc.                 | Investment Property | United States  | 100%   | 100%   |
| MIP One Wall Street Holdings LLC                   | Investment Property | United States  | 90.01% | 90.01% |
| MIP One Wall Street Mezzanine LLC                  | Investment Property | United States  | 90.01% | 90.01% |
| MIP One Wall Street Acquisition LLC                | Investment Property | United States  | 90.01% | 90.01% |
| Constellation Hotels France Group Holding S.A.     | Holding company     | Luxembourg     | 100%   | 100%   |
| Mark Invest Holdings (formerly CHH France 1) S.A.  | Holding company     | Luxembourg     |        | 100%   |
| Constellation Hungary (formerly CHH France 2) S.A. | Holding company     | Luxembourg     | 100%   | 100%   |
| Constellation Hotels France Grand S.A.             | Holding company     | Luxembourg     | 100%   | 100%   |
| Société des Hôtels InterContinental France SAS     | Hotel Business      | France         | 100%   |        |
| BHR Services (France) SAS                          | Hotel Business      | France         | 100%   |        |
| Constellation Hotels Italy S.r.l.                  | Hotel Business      | Italy          | 100%   | 100%   |
| Constellation Hotels Management S.r.l.             | Hotel Business      | Italy          | 100%   | 100%   |
| Séréne S à r.l.                                    | Holding company     | Luxembourg     | 100%   |        |
| Coroin Ltd   | Hotel Business      | United Kingdom | 100%   |        |

All entities are fully integrated in the consolidated financial statements for the years 2015 and 2014



## Note 5: Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2015

No new standards or interpretation have been endorsed in financial year 2015 that have a material impact on the accounting policies and the financial statements of the Group

### Standard issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective

#### IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The standard has not yet been endorsed by the EU.

#### IFRS 15 Revenue from contracts with customers

The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not yet been endorsed by the EU and the management is currently considering the impact.

#### Annual improvements 2012-2014 cycle (issued in September 2014)

These improvements are effective from January 1, 2016 and are not expected to have a material impact on the Group. They include:

##### A. IFRS 7 Financial instruments disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

##### B. IAS 34 Interim financial reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

##### C. IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal Group) are generally disposed of either through sale or distribution to owners. The

amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

**IFRS 5 Changes in methods of disposal**

The amendment is applied prospectively and clarifies that changing from one of the two disposal methods of assets (or disposal groups) to the other, i.e. through sale or through distribution, should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also clarifies that changing the disposal method does not change the date of classification.

**IFRS 7 Servicing Contracts**

The amendment is applied prospectively and clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7 B30 and IFRS 7.42C in order to assess whether the disclosures are required.

**IFRS 7 Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The amendment is applied retrospectively and clarifies that the amendment to IFRS 7 related to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, in which case the Board would expect the disclosures to be included in the entity's condensed interim financial report.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1,
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated,
- That entities have flexibility as to the order in which they present the notes to financial statements,
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be



subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group

**IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS / Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group

**IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

**IAS 19 regional market issue**

The amendment is applied prospectively and clarifies that the obligation to recognize a post-employment benefit obligation for its defined benefit plans must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. Market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

**IAS 34 Disclosure of information "elsewhere in the interim financial report"**

The amendment is applied retrospectively and clarifies that information must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). Other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

**Significant accounting, judgments and estimates**

The preparation of the Group's consolidated financial statements, including consolidation as per IFRS 10, requires Management to make judgments, estimates and assumptions that affect the reported amount of income and expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date.



However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The main estimates and judgments made by Management in the preparation of the consolidated financial statements are as follows: the valuation and the useful life of intangible assets, property, plant and equipment and investment properties, the amount of provisions for contingencies and the assumptions underlying the calculation of pension obligations, claims and litigation and deferred tax balances and are presented in the relevant notes to the financial statements.

#### *Revaluation of property, plant and equipment and investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2015 for investment properties. For investment properties, a valuation methodology based on a traditional rent and yield approach and based on valuation performed by accredited independent Real Estate Appraisers.

In addition, useful life of intangible assets and property, plant and equipment are measured by reference to market-based evidence, specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the investment properties and sensitivity analyses are provided in notes 11 and 20 respectively.

#### *Deferred tax*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### *Defined benefit plans*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### *Shareholder loans*

The Group determined that the mechanism of the variable interest under the shareholders' loans does not meet the definition of a derivative under IAS 39 since the variable interest component contains an underlying profit that is a non-financial variable specific to one party to the contract. In making this judgment, management considered that the performance of the Group is driven by a number of different factors many of which are clearly non-financial in nature, for example the general business risks faced by the entity or



management actions. Therefore, variable interests under shareholders loans are carried at their amortized cost.

#### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF (Discounted Cash Flow) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 8.

#### **Significant accounting policies**

The companies over which the Group exercises exclusive de jure or de facto control, directly or indirectly, are fully consolidated. Companies over which the Group exercises significant influence are accounted for by the equity method. Significant influence is considered as being exercised when the Group owns between 20% and 50% of the voting rights.

Under IFRS 3 (revised) "Business Combinations" and IAS 27 (revised) "Consolidated and Separate Financial Statements", the Group accounts for business combinations and transactions with non-controlling interests by applying the acquisition method. The acquisition cost is measured at the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for either through profit or loss or through other comprehensive income.

Identifiable assets and liabilities acquired are measured at fair value. Fair value measurements must be completed within one year. The fair value measurements are performed in the currency of the acquirer. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate. Goodwill is the difference between the consideration transferred and the fair value of the identifiable assets and liabilities assumed at the acquisition date and is recognized as an asset in the consolidated statement of financial position. Costs related to business combinations are recognized directly as expenses. When a business combination is achieved in stages, the previously held equity interest is re-measured at fair value at the acquisition date through profit or loss. The attributable other comprehensive income, if any, is fully reclassified in operating income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The loss of control while retaining a residual equity interest may be analyzed as the disposal of a controlling interest followed by the acquisition of a non-controlling interest. This process involves, as of the date when control is lost.

- The recognition of a gain or loss on disposal, comprising
  - A gain or loss resulting from the percentage ownership interest sold,
  - A gain or loss resulting from the re-measurement at fair value of the ownership interest retained in the entity
- The other comprehensive income items are reclassified in the profit or loss resulting from the ownership interest disposed

Transactions with non-controlling interests in fully consolidated companies that do not result in a loss of control, are accounted for as equity transactions, with no effect on profit or loss or on other comprehensive income

The loss of significant interest while retaining a residual interest may be analyzed as the disposal of shares accounted for by the equity method followed by the acquisition of a financial asset. This process involves, as of the date of disposal

- The recognition of a gain or loss on disposal, comprising
  - A gain or loss resulting from the percentage ownership interest sold, and,
  - A gain or loss resulting from the re-measurement at fair value of the retained percentage ownership interest
- The reclassification in profit of all of the other comprehensive income items

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed

In accordance with IFRS 3 (revised) – Business combinations, goodwill is not amortized but is tested for impairment at least once a year and more frequently if there is any indication that it may be impaired. If the carrying amount of goodwill exceeds its recoverable amount, an irreversible impairment loss is recognized in profit.

Negative goodwill, representing the excess of the Group's interest in the net fair value of the identifiable assets and liabilities acquired at the acquisition date over the cost of the business combination, is recognized immediately in profit

The presentation currency is the euro

All the Group entities functional currency is euro except those operating in the U.K. (GBP) and in the U.S. (USD). The statements of financial position of foreign subsidiaries are translated into euros at the closing exchange rate, and their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity and recognized in profit and loss on disposal of the business. The group did not have any subsidiaries operating in hyperinflationary economies in any of the periods presented.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition,

Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Indefinite life intangible assets are composed of goodwill and definite life intangible assets are composed of trademarks and other intangible assets (management contract). Management contracts are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives.

Property, plant and equipment are measured at purchase cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 "Property, Plant and Equipment". Assets under construction are measured at cost less any accumulated impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service. The main depreciation periods applied are as follows:

| Item                            | Useful life in years |
|---------------------------------|----------------------|
|                                 |                      |
| Building                        | from 35 to 70        |
| Property, plant and equipment   | 8 to 12              |
| Fixture, fittings and furniture | 4 to 20              |

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of de-recognition.

Investment properties held by the Group are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any increase or decrease in the fair value on annual revaluation is recognized in the income statement in accordance with IAS 40 – Investment property.

An external independent valuer, having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued, values the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Description of the valuation techniques used are disclosed in note 11.

#### Leases are analyzed based on IAS 17 - Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are qualified as finance leases and accounted for as follows

- The leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease
- A liability is recognized for the same amount, under "Finance lease liabilities"
- Minimum lease payments are allocated between interest expense and reduction of the lease liability
- The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

The asset is depreciated over its useful life, in accordance with Group accounting policy, if there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, otherwise the asset is depreciated by the components method over the shorter of the lease term and its useful life. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Where sale and leaseback transactions result in an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. Fair value for this purpose is generally determined based on independent valuations.

In accordance with IAS 36 "Impairment of Assets", the carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired and at least once a year for the following.

- Assets with an indefinite useful life such as goodwill, brands and lease premiums
- Intangible assets not yet available for use

Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, it is included in a cash-generating unit (CGU) and impairment tests are performed at the level of the cash-generating unit. In the hotel business, each hotel is treated as a separate CGU. Impairment tests are therefore performed separately for each individual hotel. Goodwill is tested for impairment at the level of the cash-generating unit (CGU) to which it belongs.

Impairment tests consist of comparing the carrying amount of the asset or the CGU with its recoverable value. The recoverable value of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined based on discounted cash-flow methodology using several assumptions such as discount rates and future net cash-flow projection and terminal value. The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital. Separate calculations are performed based on each country / region's specific characteristics. The projected long-term rate of revenue growth reflects each country / region's economic outlook.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in the income statement under "Impairment losses".



In accordance with IAS 36 "Impairment of Assets", impairment losses on goodwill as well as on intangible assets with a finite useful life are irreversible. Losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

Inventories are measured at the lower of cost and net realizable value, in accordance with IAS 2 - Inventories. Cost is determined by the weighted average cost method.

Prepaid expense corresponds to expenses paid during the period that relate to subsequent periods.

Employee benefits expense includes all amounts paid or payable to employees, including statutory and discretionary profit-sharing, pension contributions, payroll taxes and the cost of share-based payments.

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, a provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material, using a discount rate that reflects current market assessments of the time value of money. The most commonly applied rates are the prime long-term corporate bond rate or the government bond rate. Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it as of the close of accounts.

Under defined contribution plans, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense.

For defined benefit plans, under which the Group has a legal or constructive obligation to provide agreed benefits to current and future employees in exchange for a given level of service (including multi-employer plans when the manager is able to provide the necessary information), the Group's obligations are determined in accordance with IAS 19 - Employee Benefits. The Group's obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and the discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various host countries. Pension and other retirement benefit obligations take into account the market value of plan assets. The amount recognized in the statement of financial position corresponds to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Current service cost, past service cost, administrative expense, and taxes for the year, and paid contributions and benefits are recognized in operating expense, whereas net interest on the net defined benefit liability (asset) is recognized in financial expense (income).

For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity. However, actuarial gains and losses on long-

term benefit obligations towards active employees (such as jubilees, seniority bonuses ) are recognized directly in profit or loss in net financial expense

Foreign currency transactions are recognized and measured in accordance with IAS 21- Effects of Changes in Foreign Exchange Rates. As prescribed by this standard, each Group entity translates foreign currency transactions into its functional currency at the exchange rate on the transaction date. Foreign currency receivables and payables are translated into euros at the closing exchange rate. Foreign currency financial liabilities measured at fair value are translated at the exchange rate on the valuation date. Gains and losses arising from translation are recognized in "Financial income expense"

Income tax expense (or benefit) includes both, current and deferred tax expense (or benefit)

Current taxes on taxable profits for the reporting period and previous periods are recognized as liabilities until they are paid. In accordance with IAS 12 "Income Taxes", deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities and their tax base by the liability method. This method consists of adjusting deferred taxes at each period-end, based on the last tax rates (and tax laws) that have been enacted or substantively enacted. The effects of changes in tax rates (and tax laws) are recognized in the income statement for the period in which the rate change is announced. A deferred tax is recognized for all temporary differences, except when it arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit. A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except when

- 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

A deferred tax asset is recognized for tax loss carry-forwards only when it is probable that the asset will be recovered in the foreseeable future based on the most recently updated projections. Income taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related income tax is also recorded in equity. Deferred tax assets of acquired companies that are not recognized at the time of the business combination or during the measurement period are recognized in profit or loss without adjusting goodwill if they arise from a post-acquisition event. In accordance with IAS 12, deferred taxes are not discounted.

Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial Instruments, Recognition and Measurement", and its amendments. Financial assets and liabilities are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

As defined by IAS 39 – Financial instruments, "Loans and receivables" mainly comprise time deposits and loans to non-consolidated companies. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount (i.e. the present value of the expected cash flows discounted using the original effective interest rate) and is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period.

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For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from OCI and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss, increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Held-to-maturity investments are bonds which the Group has the ability and intent to hold until maturity. Held-to-maturity debt investments are recorded at amortized cost, adjusted for the amortization or discounts using the effective interest method.

Derivative financial instruments such as interest rate swaps or currency swaps/forwards are used solely to hedge exposures to changes in interest rates and exchange rates. The Group applies hedge accounting. Therefore, the derivatives are measured at fair value through the other comprehensive income and through profit and loss, respectively. The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds.

Borrowings are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

Cash and cash equivalents include cash at bank and in hand, and short-term investments in money market instruments. These instruments have maturities of less than three months and are readily convertible into known amounts of cash, their exposure to changes in value is minimal.

The fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an



orderly transaction between market participants at the measurement date. In accordance with IFRS 13 - Fair value measurement, the fair value hierarchies have the following levels:

- a Level 1: Fair value measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities,
- b Level 2: Fair value measured by reference to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- c Level 3: Fair value measured by reference to inputs for the asset or liability that are not based on observable data (unobservable inputs)

In accordance with IAS 18 "Revenue", revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies. The Group applies the guidance provided in IAS 18 to determine whether it acts as the principal or an agent in its contractual hotel management relationships. For the purpose of applying IAS 18, the Group is considered as acting as the principal when it has exposure to the significant risks and rewards associated with the rendering of services. In this case, the revenue and related expenses are reported separately in the Income Statement. When the above criterion is not met, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue. In accordance with IAS 18 "Revenue", revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT, other sales taxes and fair value of customer loyalty programs. Revenue from product sales is recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer.

Revenue from sales of services is recognized when the service is rendered. Revenue from sales of loyalty programs is recognized on a straight-line basis over the life of the cards in order to reflect the timing, nature and value of the benefits provided. When sales of products or services are covered by a customer loyalty program, the revenue invoiced to the customer is allocated between the product or the service sold and the award credits given by the third party granting the loyalty points. The consideration allocated to the award credits, which is measured by reference to the fair value of the points granted, is deferred and recognized as revenue when the customer redeems the award credits – i.e. when an award is received in exchange for converting the loyalty points.

The consolidated statement of cash flows is presented on the same basis as the management reporting schedules used internally to manage the business. It shows cash flows from operating, investing and financing activities.

Cash flows from operating activities include:

- Funds from operations, before non-recurring items and after adjustment for changes in deferred taxes and gains and losses on disposals of assets
- Cash received and paid on non-recurring transactions
- Changes in working capital

Cash flows from investing activities comprise:

- Renovation and maintenance expenditure to maintain in a good state of repair operating assets held at January 1 of each year
- Development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries
- Development expenditure on non-current assets classified as held for sale
- Proceeds from disposals of assets

Cash flows from financing activities include

- Changes in equity
- Changes in debt
- Dividends

## Note 6: Capital management

The Group's main capital management objective is to maintain robust capital ratios in order to facilitate business operations and maximize shareholder value

Its capital structure is managed and adjusted to keep pace with changes in economic conditions, by adjusting dividends, returning capital to shareholders or issuing new shares. Capital management objectives, policies and procedures were unchanged in 2015

The main indicator used for capital management purposes is the debt-to-equity ratio (equity including shareholder loans for management purposes). The group does not have ratio on a maximum debt-to-equity ratio. For the purpose of calculating the ratio, net debt is defined as all short and long term borrowings (except shareholder loans for management purposes), including derivative financial instruments with negative fair values and bank overdrafts less cash and cash equivalents, and derivative financial instruments with positive fair values

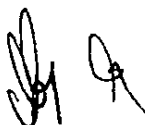
Equity includes the Group's share of reserves and retained earnings, and unrealized gains and losses recognized directly in equity, but exclude non-controlling interests

| In thousands of euros  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Interest-bearing loans and borrowings (refer to note 17)           | 2 824 769        | 1 233 363        |
| Accrued interests (refer to note 17)                               | 13 875           | 7 132            |
| Derivate financial instruments                                     | 25 847           | 21 217           |
| Non interest-bearing loans   | 224 209          | 198 082          |
| Less cash and short-term deposits                                  | (277 976)        | (162 225)        |
| <b>Net debt</b>  | <b>2 810 724</b> | <b>1 297 569</b> |
| <i>Equity attributable to equity holders of the parent company</i> | <i>1 339 041</i> | <i>389 557</i>   |
| <i>Shareholders and third party loans (refer to note 17)</i>       | <i>1 777 942</i> | <i>1 157 951</i> |
| <b>Total capital</b>   | <b>3 116 983</b> | <b>1 547 508</b> |
| Capital and net debt   | 5 927 707        | 2 845 077        |
| Debt- to - equity ratio (Net debt / Total capital) (%)             | 90%              | 84%              |

## Note 7: Business combinations

The Group has made the following acquisitions during the year 2015

| Company   | Assets acquired                        | Acquisition Date        | % acquired |
|---|--|-------------------------|------------|
| Coroin Ltd via Séléne S.à.r.l   | Claridge's, Connaught, Berkeley hotels | 24/04/2015<br>8/10/2015 | 60%<br>40% |
| Société des Hôtels InterContinental France SAS & BHR Services (France) SAS via Constellation Hotels France Grand S.A. | Intercontinental Paris le Grand Hotel  | 20/05/2015              | 100%       |



2015

The fair values of the identifiable assets and liabilities of the 2 acquisitions as at the date of the acquisition were

| in thousand of euros                               | Intercontinental<br>Paris le Grand Hotel*<br>EUR | Coroin Ltd*<br>EUR | TOTAL<br>EUR     |
|--|--|--------------------|------------------|
|  | PPA B/S  | PPA B/S            | PPA B/S          |
| Property, plant and equipment                      | 329 000  | 1 629 147          | 1 958 147        |
| Intangible assets                                  | 2 000  | 221 632            | 223 632          |
| Deferred tax assets                                | -  | 6 555              | 6 555            |
| Other non-current financial assets                 | 28 792   | 3 216              | 32 008           |
| <b>Non-Current assets</b>                          | <b>359 792</b>                                   | <b>1 860 550</b>   | <b>2 220 342</b> |
| Inventories  | 157  | 4 738              | 4 895            |
| Trade and other receivables                        | 25 082   | 13 883             | 38 965           |
| Tax  | 1 220  | -                  | 1 220            |
| Cash and cash equivalents                          | 15 740   | 10 797             | 26 537           |
| <b>Current Assets</b>                              | <b>42 199</b>                                    | <b>29 418</b>      | <b>71 617</b>    |
| <b>ASSETS</b>                                      | <b>401 991</b>                                   | <b>1 889 968</b>   | <b>2 291 959</b> |
| Non current interest bearing borrowings            | 47   | 859 096            | 859 143          |
| Deferred tax liabilities                           | 99 485   | 226 311            | 325 796          |
| Other non current liabilities                      | 734  | -                  | 734              |
| Provision  | 4 746  | 576                | 5 322            |
| <b>Non-Current liabilities</b>                     | <b>105 012</b>                                   | <b>1 085 983</b>   | <b>1 190 995</b> |
| Current interest bearing borrowings                | 43 568   | -                  | 43 568           |
| Provisions   | 125  | -                  | 125              |
| Trade and other payables                           | 19 321   | 9 751              | 29 072           |
| Other current liabilities                          | -  | 17 517             | 17 517           |
| <b>Current liabilities</b>                         | <b>63 014</b>                                    | <b>27 268</b>      | <b>90 282</b>    |
| <b>LIABILITIES &amp; IMPLIED EQUITY</b>            | <b>168 026</b>                                   | <b>1 113 251</b>   | <b>1 281 277</b> |
| <b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b> | <b>233 965</b>                                   | <b>776 717</b>     | <b>1 010 682</b> |
| Non controlling interests (40%)                    | -  | 310 687            | 310 687          |
| Goodwill arising on acquisition                    | 99 267   | 132 552            | 231 819          |
| Purchase consideration transferred                 | 333 232  | 598 582            | 931 814          |

\*The net assets recognized in the consolidated financial statements were based on a provisional assessment of the fair value of the property, plant, equipment and intangible assets at the acquisition date based on the independent valuation for the new hotel businesses acquired. The valuation of certain individual assets acquired had not been completed by the date these consolidated financial statements were approved for issue by the Board of Managers.

Had the acquired subsidiaries been part of the Group during the full year, the revenue would have been 320,961 thousand euros and the loss would have been 17,553 thousand euros.

On 16 April 2015 and 8 October 2015, respectively Constellation Hotel Holding Ltd S.C.A. through the subsidiary Sélène S.a.r.l. acquired 60% and 40% of Coroin Limited a company registered in England and Wales with Company Number 05091711 and having its registered office at 1 Vine Street, Mayfair, London W1J 0AH. The 40% stake of Coroin Limited has been acquired at 8 October 2015, at the same carrying value as of 16 April 2015.

The total amount of 12,052 thousand euro of acquisition costs for Intercontinental Paris le Grand Hotel and Coroin Ltd has been expensed and recorded in the caption "non-operating expense".

## 2014

The fair values of the identifiable assets and liabilities of the 2 acquisitions as at the date of the acquisition were:

| in thousand of euros                               | St REGIS Rome<br>EUR | Intercontinental<br>Barclay New York<br>EUR | TOTAL<br>EUR   |
|--|----------------------|---|----------------|
|  | PPA B/S              | PPA B/S                                     | PPA B/S        |
| Property, plant and equipment                      | 94 130               | 245 996                                     | 340 126        |
| Intangible assets                                  | 18 920               | 836   | 19 756         |
| <b>Non-Current assets</b>                          | <b>113 050</b>       | <b>246 832</b>                              | <b>359 882</b> |
| Inventories  | 252                  | 173   | 425            |
| Current trade and other receivables                | 2 193                | 2 303                                       | 4 496          |
| Cash and cash equivalents                          | 9 599                | 82  | 9 681          |
| <b>Current Assets</b>                              | <b>12 044</b>        | <b>2 558</b>                                | <b>14 602</b>  |
| <b>ASSETS</b>                                      | <b>125 094</b>       | <b>249 390</b>                              | <b>374 484</b> |
| Non current interest bearing borrowings            | 51 216               | -   | 51 216         |
| Non current post employment benefit obligation     | 1 937                | -   | 1 937          |
| Deferred tax liabilities                           | 6 416                | 1 046                                       | 7 462          |
| <b>Non-Current liabilities</b>                     | <b>59 569</b>        | <b>1 046</b>                                | <b>60 615</b>  |
| Current trade and other payables                   | 4 242                | 4 926                                       | 9 168          |
| <b>Current liabilities</b>                         | <b>4 242</b>         | <b>4 926</b>                                | <b>9 168</b>   |
| <b>LIABILITIES &amp; IMPLIED EQUITY</b>            | <b>63 811</b>        | <b>5 972</b>                                | <b>69 783</b>  |
| <b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b> | <b>61 283</b>        | <b>243 418</b>                              | <b>304 702</b> |
| <b>NEGATIVE GOODWILL</b>                           | <b>-</b>             | <b>(2 036)</b>                              | <b>(2 036)</b> |
| Goodwill arising on acquisition (note 8)           | 6 052                | -   | 6 052          |
| Purchase consideration transferred                 | 67 335               | 241 382                                     | 308 717        |

Had the acquired subsidiaries been part of the Group during the full year, the revenue would have been 21,146 thousand euros and the loss would have been 9,725 thousand euros.



The total amount of 4,300 thousand euro of acquisition costs has been expensed and recorded in the caption "non-operating expense". These acquisition costs are composed of 2,664 thousand euro for the acquisition of Westin St. Regis and of 1,988 thousand euro for Intercontinental Barclay New York.

The negative goodwill for an amount of 2,036 thousand euro is stated in non-operating income.

## Note 8. Intangible assets

The table below shows the Concessions, patents and licenses, other intangibles and goodwill as at 31 December 2015.

| In thousand of euro  | Concessions, patents<br>and licenses<br>EUR | Other Intangibles<br>EUR | Goodwill<br>EUR | TOTAL<br>EUR |
|--|---|--------------------------|-----------------|--------------|
| Opening 2014   | 244   | 113 954                  | 482 983         | 597 181      |
| Subsequent<br>adjustment to<br>purchase price<br>allocation* |   |                          | (31 605)        | (31 605)     |
| Acquisition  | 74  | 19 789                   | 6 052           | 25 915       |
| Amortisation   | (47)  | (3 570)                  |                 | (3 617)      |
| Exchange difference  | 3   | 6 230                    | 2 657           | 8 890        |
| Opening 2015   | 274   | 136 403                  | 460 087         | 596 764      |
| Acquisition  | 293   | 215 913                  | 239 483         | 455 689      |
| Amortisation   | (117)                                       | (18 944)                 |                 | (19 061)     |
| Impairment   |   |                          | (82 159)        | (82 159)     |
| Exchange difference  |   | 4 171                    | 1 429           | 5 600        |
| Net carrying amount  | 450   | 337 543                  | 618 840         | 956 833      |
| Useful life in years   | from 5 to 7                                 | from 30 to 41            | indefinite      |              |

The other intangible assets are mainly composed of the management contract concluded for the London hotel for an amount of 101,913 thousand euros (82,000 thousand GBP), for the Italian hotels for an amount of 35,768 thousand euros and for the US hotel for an amount of 933 thousand euros (1,016 thousand USD).

The other intangible assets also include the separately identifiable intangibles identified by management and the valuer for an amount of 199,129 thousand euros, however the purchase price allocation exercise will be completed in the following year.

For 2015, the goodwill of 239,483 thousand euros is the intrinsic value of hotel businesses acquired in United Kingdom and in Paris which cannot be separately recognized as a result of the purchase price allocation.

For 2014, the goodwill of 6,052 thousand euros comprises the part of the intrinsic value of hotel businesses acquired in Rome which cannot be separately recognized as a result of the purchase price allocation.

### Impairment

The Group performed its annual impairment test in December 2015 and 2014. The Group considers the relationship between the value of the business and its book value, among other factors, when reviewing for

indicators of no impairment. As at 31 December 2015, the valuation of the hotel business based on the future cash flow of the Group was higher to the book value, indicating that there is an impairment.

The fair value of the property plant and equipment valued by an external valuator lead to an impairment of an amount of 82,159 thousand euro for the year ended 31 December 2015 on Constellation Hotel Italy and on Constellation Hotel France SAS (refer to note 26).

The recoverable amount as at 31 December 2015 was determined at the level of the CGU. The CGU were determined as an individual hotel business. In determining value in use for the CGU, the cash flows were discounted at a rate between 4.4% to 8.3%.

**Key assumption used in value in use calculation**

- Operating result
- Discount rate
- Inflation rate

**\*Subsequent adjustment to purchase price allocation**

Following a new valuation report for the year 2014, which became available during the course of 2015, the purchase price allocation for the Constellation Hotel France has been revised. As permitted by IFRS 3 "Business combinations" the adjustment has been recorded in the consolidated financial statements 2014 and had a corresponding impact on the goodwill that was initially recorded in 2013 and 2012 following the preliminary purchase price allocation.

## Note 9: Property, plant and equipment

| in thousand of euro                                 | Land      | Building  | Plant,<br>machinery and<br>equipment | Construction in<br>progress | Total     |
|---|-----------|-----------|--------------------------------------|-----------------------------|-----------|
| <b>Cost or valuation</b>                            |           |           |                                      |                             |           |
| 01 January 2014                                     | 320 084   | 498 171   | 76 731                               | -                           | 894 986   |
| Subsequent adjustment to purchase price allocation* | -         | 48 200    | -                                    | -                           | 48 200    |
| Acquisition   | 149 938   | 198 323   | 12 436                               | 19 583                      | 380 830   |
| Exchange rate difference                            | 25 744    | 22 271    | 2 036                                | (535)                       | 49 576    |
| 31 December 2014                                    | 495 816   | 767 465   | 91 263                               | 19 048                      | 1 373 592 |
| Additions   | -         | 140 387   | 13 385                               | 47                          | 158 819   |
| Acquisition of a subsidiary                         | 1 130 108 | 553 671   | 291 503                              | -                           | 2 145 282 |
| Disposal  | -         | (357)     | (1 304)                              | -                           | (1 661)   |
| Exchange rate difference                            | 19 075    | 20 487    | (601)                                | 3 592                       | 42 503    |
| 31 December 2015                                    | 1 704 999 | 1 591 663 | 399 246                              | 23 027                      | 3 718 935 |
| <b>Depreciation and impairment</b>                  |           |           |                                      |                             |           |
| 01 January 2014                                     | -         | 14 793    | 14 568                               | -                           | 29 361    |
| Subsequent adjustment to purchase price allocation* | -         | 1 830     | -                                    | -                           | 1 830     |
| Depreciation charge for the year                    | -         | 19 508    | 9 001                                | -                           | 28 509    |
| Exchange rate difference                            | -         | 207       | 502                                  | -                           | 599       |
| 31 December 2014                                    | -         | 36 428    | 23 571                               | -                           | 60 299    |
| Depreciation acquired                               | -         | 70 462    | 116 667                              | -                           | 187 135   |
| Depreciation charge for the year                    | -         | 35 028    | 77 100                               | -                           | 62 127    |
| Exchange rate difference                            | -         | 349       | (692)                                | -                           | (343)     |
| 31 December 2015                                    | -         | 142 273   | 166 946                              | -                           | 309 219   |
| <b>Net book value</b>                               |           |           |                                      |                             |           |
| 31 December 2014                                    | 495 816   | 731 037   | 67 392                               | 19 048                      | 1 313 293 |
| 31 December 2015                                    | 1 704 999 | 1 449 390 | 232 300                              | 23 027                      | 3 409 716 |

### \*Subsequent adjustment to purchase price allocation

Following a new valuation report for the year 2014, which became available in the course of 2015, the purchase price allocation for the Constellation Hotels France S.A.S. has been revised. As permitted by IFRS 3 "Business combinations" the adjustment has been recorded in the consolidated financial statements 2014 and had a corresponding impact on the goodwill that was initially recorded in 2013 and 2012 following the preliminary purchase price allocation.

## Note 10: Operating leases – Group as Lessor

Fleet Street Investments III Limited is the beneficial owner of an investment property Peterborough Court, 133 Fleet Street, London EC4 and 131, 132, 134 to 139 (inclusive) and 141 Fleet Street and Daniel House, 140 Fleet Street, London EC4. The "Landlord" of the property under the lease agreements and deeds of variation includes Peterborough Court (Nominees) I Limited and Peterborough Court (Nominees) II Limited which are successors in title to LDT Partners Peterborough Court (Nominees) I Limited and Peterborough Court (Nominees) II Limited are wholly owned and controlled by Fleet Street Investments III Limited.

On April 2005, LDT Partners ("Landlord") entered into a deed of variation with Goldman Sachs International for the lease of the property to Goldman Sachs International ("Tenant") with the Goldman Sachs Group Inc., as guarantor to the lease. The lease expires on 20 June 2026 with no option to extend. However, there is an early termination option available to the tenant, to end the lease contract on 29 September 2021 by giving twelve months' notice.

The four supermarket deals in Greece were based on guaranteed sale and leaseback basis with Carrefour for ten years.

The Greek entities are in conflict with their tenants and a juridical procedure to evict the tenants is in course as of the date of the signature of these consolidated financial statements. Due to the non-payment of the lease rent, there is an impact on the valuation of the properties. This impact is reflected by an unrealized fair value loss of 16,620 thousand euros recognized during the year.

Future minimum rentals receivable/payable under the operating lease(s) are as follows:

| In thousands of euros                  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Within 1 year                          | 24 482           | 34 036           |
| After 1 year, but no more than 5 years | 97 927           | 135 543          |
| More than 5 years                      | 11 470           | 38 576           |
| <b>Total lease at end of period</b>    | <b>133 879</b>   | <b>208 155</b>   |

## Note 11: Investment properties

| In thousands of euros                      | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Opening balance                            | 988 281          | 349 950          |
| Forex exchange gain                        | 81 860           | 65 601           |
| Acquisition of property                    | -                | 564 520          |
| Capital expenditure                        | 31 671           | -                |
| Fair value gain recognized during the year | 25 177           | 8 210            |
| <b>Total</b>                               | <b>1 126 989</b> | <b>988 281</b>   |

The capex is composed of the conversion of One Wall Street building for an amount of 31,671 thousand Euro.

The Group's investment properties consist of 6 properties in UK, USA and Europe. The Group determines that the investment properties consist of following sub classes of assets based on the nature, characteristic and risk of each property

- office
- retail/mixed use

**Description of location, type and size of the investment properties**

| Country                  | Companies                          | Location                                   | Type                   | Size       |
|--------------------------|------------------------------------|--|------------------------|------------|
| United Kingdom           | Fleet Street Investments I Limited | Fleet Street, London                       | office property        | 34,423 sqm |
| Greece                   | Helens RE I                        | Alimos, Attica                             | retail commercial      | 14,856 sqm |
| Greece                   | Helens RE II                       | Tombazi Street, Thessaloniki               | retail commercial      | 19,811 sqm |
| Greece                   | Helens RE III                      | Ifigeneias Street, Attica                  | retail commercial      | 8,728 sqm  |
| Greece                   | Helens RE IV                       | Municipality of Pavlos Melas, Thessaloniki | retail commercial      | 20,603 sqm |
| United States of America | Constellation OWS Properties, Inc  | Wall Street one, New York                  | office property retail | 95,624 sqm |

As at 31 December 2015 and 2014, the fair value of the properties is based on valuations performed by accredited independent Real Estate Appraisers who are specialist in valuing these types of investment properties. A valuation model is in accordance with the recommendation of the Royal Institute of Chartered Surveyors (RICS). As set out in Note 5, in arriving at the estimates of the market value, the valuers have not only relied on historical transactional comparable but also used their market knowledge and professional judgment to arrive at such values.

|   | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| In thousands of euros   |                  |                  |
| Rental income derived from investment properties                                      | 44 264           | 40 155           |
| Direct operating expenses (including repair and maintenance) generating rental income | (1 629)          | (1 703)          |
| <b>Profit arising from investment properties carried at fair value</b>                | <b>42 635</b>    | <b>38 452</b>    |

Peterborough House and Daniel House property and One Wall Street are held as fixed security for the bank loan (refer to Note 17)

Fair value hierarchy for investment properties are in note 20

**Reconciliation of fair value:**

| In thousands of euros                         | Office properties | Retail/mixed use properties | TOTAL            |
|---|-------------------|-----------------------------|------------------|
| <b>As at 1 January 2014</b>                   | <b>349 950</b>    | -                           | <b>349 950</b>   |
| Foreign exchange gain/(losses)                | 23 501            | 42 100                      | 65 501           |
| Acquisition of subsidiaries                   | -                 | 564 520                     | 564 520          |
| Capital expenditures                          | -                 | -                           | -                |
| Revaluation gain recognized in profit or loss | 15 754            | (7 544)                     | 8 210            |
| <b>As at 31 December 2014</b>                 | <b>389 205</b>    | <b>599 076</b>              | <b>988 281</b>   |
| Foreign exchange gain/(losses)                | 23 432            | 54 422                      | 81 860           |
| Capital expenditures                          | -                 | 31 671                      | 31 671           |
| Revaluation gain recognized in profit or loss | 7 440             | 17 737                      | 25 177           |
| <b>As at 31 December 2015</b>                 | <b>420 083</b>    | <b>706 906</b>              | <b>1 126 989</b> |

**Description of valuation techniques used and key inputs to valuation on investment properties:**

| Companies                          | Property appraiser  | Valuation technique(s)  | Significant assumptions                       | 2015   | 2014            |
|------------------------------------|---------------------|---|---|--|-----------------|
| Fleet Street Investments I Limited | Cushman & Wakefield | Traditional rent and yield approach                                   | Estimated rental value (Market rent) per sqm  | EUR 60.34  | EUR 73.71       |
|                                    |                     |   | Net initial yield on contracted income        | 5.63%  | 5.75%           |
|                                    |                     |   | Equivalent yield                              | 5.25%  | 5.72% (nominal) |
|                                    |                     |   | Reversionary yield (Sep. 2021)                | 5.67%  | 5.67% (true)    |
| Constellation OWS Properties, Inc  | Cushman & Wakefield | Discounted cash flow method (for residential rental component)        | Estimated rental value (Market rent) per sqm. | EUR 82.74 (for residential)<br>EUR 76.61 (for flex space)                          | EUR 68.98       |
|                                    |                     | Condominium sellout analysis (for residential and retail condominium) | Growth in Market Rental Rate                  | 3.50%  | 3.50%           |
|                                    |                     |   | Expense Growth Rate                           | 3.50%  | 3.50%           |
|                                    |                     |   | Vacancy/Credit Loss                           |  |                 |
|                                    |                     |   | Residential                                   | 3.00%  | 3.00%           |
|                                    |                     |   | Other Sources                                 | 5.00%  | 3.00%           |
|                                    |                     |   | Discount Rate (WRR)                           | 5.50%  | 5.50%           |
| Helens RE I                        | Savills             | Discounted cash flow method   | Estimated rental value (Market rent) per sqm  | EUR 12 (for hypermarket's ground floor)<br>EUR 8 (for mezzanine hypermarket)       | EUR 65.88       |
|                                    |                     |   | Net initial yield on contracted income        | 19.38%   | 16.54%          |
|                                    |                     |   | Nominal equivalent yield                      | 22.99%   | 10.76%          |
|                                    |                     |   | True equivalent yield                         | 15.63%   | 12.63%          |
|                                    |                     |   | Reversionary yield (Sep. 2021)                | 21.83%   | 18.91%          |
| Helens RE II                       | Savills             | Discounted cash flow method   | Estimated rental value (Market rent) per sqm  | EUR 9.5 (for hypermarket's ground floor)<br>EUR 3.5 (for basement)                 | EUR 34.9        |
|                                    |                     |   | Net initial yield on contracted income        | 19.38%   | 16.88%          |
|                                    |                     |   | Nominal equivalent yield                      | 22.99%   | 11.28%          |
|                                    |                     |   | True equivalent yield                         | 15.63%   | 13.24%          |
|                                    |                     |   | Reversionary yield (Sep. 2021)                | 21.83%   | 19.30%          |
| Helens RE III                      | Savills             | Discounted cash flow method   | Estimated rental value (Market rent) per sqm  | EUR 11 (for retail areas)<br>EUR 5 (for office areas)<br>EUR 4 (for storage areas) | EUR 50.57       |
|                                    |                     |   | Net initial yield on contracted income        | 19.38%   | 16.71%          |
|                                    |                     |   | Nominal equivalent yield                      | 22.99%   | 11.01%          |
|                                    |                     |   | True equivalent yield                         | 15.63%   | 12.94%          |
|                                    |                     |   | Reversionary yield (Sep. 2021)                | 21.83%   | 19.30%          |
| Helens RE IV                       | Savills             | Discounted cash flow method   | Estimated rental value (Market rent) per sqm  | EUR 8 (for hypermarket)<br>EUR 4.5 (for office areas)<br>EUR 3 (for storage areas) | EUR 45.75       |
|                                    |                     |   | Net initial yield on contracted income        | 19.38%   | 17.05%          |
|                                    |                     |   | Nominal equivalent yield                      | 22.99%   | 11.51%          |
|                                    |                     |   | True equivalent yield                         | 15.63%   | 13.55%          |
|                                    |                     |   | Reversionary yield (Sep. 2021)                | 21.83%   | 19.30%          |

Using the DCF method, fair value is estimated using assumption regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on real property interest. To this projected cash flow series, a market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Significant increase (decreases) in estimated rental value would result in a significant higher (lower) fair value of the property.

Generally, a change in assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield).

## Note 12: Other non-current financial assets

### 12 a Held to maturity investment

| In thousands of euros                          | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Investment in bonds                            | 268 657          | -                |
| <b>Total financial assets held to maturity</b> | <b>268 657</b>   | <b>-</b>         |

The loan notes for an amount of 217,966 thousand euro (237,300 thousand USD) are receivable from IHG with an expected repayment when IHG divest and with a variable interest rate of 1.83%.

During the year 2015, CHH Finance S.A., a subsidiary of the Company, invested in bonds issued by a French Group named LOV Group for a total initial consideration of 270,707 thousand euro with a maturity date in 2022. The investment consists in four different notes, namely:

- 66,837 Senior Tranche A Notes LOV HOTEL COLLECTION for a total amount of 66,837 thousand euro,
- 24,863 Senior Tranche B Notes LOV HOTEL COLLECTION for a total amount of 24,863 thousand euro,
- 90,231 Mezzanine Notes FINANCIERE LOV for a total amount of 90,231 thousand euro,
- 88,776 Mezzanine Notes LOV HOTEL COLLECTION for a total amount of 88,776 thousand euro.

As of 31 December 2015, an amortization of the Senior Tranche A notes LOV HOTEL COLLECTION amounting to 2,050 thousand euro was booked, thus leaving a net amount of the complete investment of 268,657 thousand euro.

In 2016, the bonds loan has been reimbursed for a total amount of 4,050 thousand euro.

An impairment test was performed on these bonds and lead that there is no sign of impairment.

Based on a discounted cash flow calculation, the fair value of the bonds amounts to 345,673 thousand euro.



## 12 b Loans and receivable

| In thousands of euros                 | 31 December 2015 | 31 December 2014 |
|---------------------------------------|------------------|------------------|
| Loan notes                            | 217 966          | 178 622          |
| Escrow account                        | 2 550            | 20 000           |
| Loan to Pacific Aviation Limited      | 1 838            | -                |
| Smallwell Properties Limited          | 6 054            | -                |
| Ostán dubh Linn Teoranta Limited      | 6 008            | -                |
| Loan to Patrick Mc Killen*            | 37 656           | -                |
| Other                                 | 3 592            | 2 716            |
| <b>Total other non-current assets</b> | <b>275 714</b>   | <b>201 338</b>   |

\* Patrick Mc Killen is the former shareholder of Coroin Ltd

Following the acquisition of Séléné Sàrl, the Group has acquired also the loans bearing interests of 3% to the Irish companies for an amount of 13,950 thousand euros and Patrick Mc Killen for an amount of 37,656 thousand euros

## Note 13. Trade and other receivables

The trade and other receivable can be detailed as follow

| In thousands of euros                         | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| Trade receivable                              | 40 000           | 12 835           |
| Impairment of trade and other receivable      | (10 435)         | (437)            |
| <b>Total trade and other receivable (net)</b> | <b>29 565</b>    | <b>12 398</b>    |

Past-dues for the year ended 2015 can be detailed as follow

| Total<br>EUR | Neither past<br>due nor<br>impaired<br>EUR | < 30 dd*<br>EUR | 30-60 dd*<br>EUR | 61-90 dd*<br>EUR | 91-120 dd*<br>EUR | > 120 dd*<br>EUR |
|--------------|--|-----------------|------------------|------------------|-------------------|------------------|
| 29 565       | 13 525                                     | 1 121           | 2 495            | 1 650            | 5 006             | 5 959            |

\*dd due day

Variation of the impairment on trade receivable.

| In thousands of euros   | Individually impaired | Collectively impaired | Total         |
|-------------------------|-----------------------|-----------------------|---------------|
| <b>1 January 2014</b>   | <b>33</b>             | <b>287</b>            | <b>320</b>    |
| Charge for the year     | 635                   | 27                    | 662           |
| Utilized                | -                     | (249)                 | (249)         |
| Unused amounts reversed | (281)                 | (15)                  | (296)         |
| <b>31 December 2014</b> | <b>387</b>            | <b>50</b>             | <b>437</b>    |
| Charge for the year     | 10 191                | 5                     | 10 196        |
| Utilized                | (16)                  | -                     | (16)          |
| Unused amounts reversed | (182)                 | -                     | (182)         |
| <b>31 December 2015</b> | <b>10 380</b>         | <b>55</b>             | <b>10 435</b> |

From April 2015, the single tenant Marinopoulos S.A. of the four Carrefour hypermarkets owned by Helens RE I Commercial Investments, Helens RE II Commercial Investments, Helens RE III Commercial Investments, and Helens RE IV Commercial Investments (four undertakings of Helens RE S.A., a subsidiary of the Company), started experiencing financial difficulties and have not paid the contractual rent in full. This could potentially have an impact on the recoverability of the future rent, the ability of the Marinopoulos S.A. to fulfil its obligations under the purchase request right and thus the future valuation of the properties. Management is currently evaluating the situation and pursuing legal remedies to address this matter.

An impairment loss amounting to 10,052 thousand euro was estimated regarding the above.

#### Note 14: Other current assets

| In thousands of euros                                  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Receivable from Hyatt International (guarantee margin) | 12 770           | 7 542            |
| Ultimate shareholders advance                          | 340 623          | -                |
| VAT and other tax                                      | 11 333           | 10 310           |
| Interest on bonds (refer to note 12)                   | 2 502            | -                |
| Prepayment for the hotel business                      | 6 745            | 4 590            |
| Prepaid income (investment property)                   | 6 297            | 2                |
| Other  | 11 070           | 6 007            |
| <b>Total trade and other receivable</b>                | <b>397 340</b>   | <b>28 451</b>    |

Prepayment for the investment property is mainly composed of the prepaid by Fleet Street for an amount 5,576 thousand Euro (4,092 thousand GBP) related to prepayment of interests on loan and on swap, and of borrowings.

The Group has received a guarantee from Hyatt related to the hotel in France for a total of 7 year in order to guarantee the percentage of occupation.

#### Note 15: Cash and cash equivalents

| In thousands of euros                  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Cash at banks and on hand              | 250 235          | 154 582          |
| Restricted cash                        | 27 741           | 7 643            |
| <b>Total cash and cash equivalents</b> | <b>277 976</b>   | <b>162 225</b>   |

The restricted cash are located in USA (Constellation Barclay US, LLC and Constellation OWS Corporation Inc.) for a total amount of 30,201 thousand USD in 2015 and 9,290 thousand USD in 2014. This cash has been restricted for insurance and taxes reserves.

The cash flow is presented excluding the restricted cash.

## Note 16: Issued capital and reserves

|                                      | 31 December 2015 | 31 December 2014 |
|--------------------------------------|------------------|------------------|
| Issued shares of 100 € each          | 1,660,310 shares | 1,660 310 shares |
| Issued capital - (in thousand euros) | 166 031          | 166 031          |

On 26 March 2012 (Incorporation date) the Company issued capital for an amount of 31 thousand euro represented by 310 shares with a par value of 100 euro each. The initial share capital was fully subscribed and paid in. On 21 December 2012, the Company increased its share capital by an amount of 400,000 thousand euro by issuing 4,000 thousand new shares with a par value of 100 euro each, having the same rights and privileges as the existing shares. All these new shares have been subscribed and fully paid up.

On 31 December 2013, the Company decreased its share capital by an amount of 234,000 thousand euro by cancelling 2,340 thousand shares and reimbursed an amount of 234,000 thousand euro to the shareholders. Also at the date the Company was transformed from a Société Anonyme to a Société en Commandite par Actions with two classes of ordinary shares (A and B). The rights attached to the classes of shares are similar.

On 31 December 2013, the authorized and issued share capital amounts to 166,031 thousand euro represented by 830,154 Ordinary A shares, 830,154 Ordinary B shares and 2 unlimited shares with a nominal value of 100 euro each. The unlimited shares are held by the General Partner of the company. The number of authorised and issued shares moved from 4,031,000 shares as at 31 December 2012 to 1,660,310 shares as at 31 December 2013 as described above.

During the year 2014 and 2015, no changes incurred in respect to the Company's share Capital.

During the year 2015, the shareholders of the Group decided to make several capital contributions in order to finance the different projects of the Group. As at 31 December 2015 the capital contributions amount to 1,284 million of euro.

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed for an amount 676 thousand euros.

The other reserves of the group are composed of

- Reserves for employee benefit plans
- Hedge accounting reserve

## Note 17 Interest bearing loans and borrowings

| In thousands of euros  | Contractual interest rate                      | Maturity   | Currency | Nominal value in original currency | Accrued interests as at 31 December 2015 | 2015      | 2014      |
|--|--|------------|----------|------------------------------------|--|-----------|-----------|
| <b>Shareholders and third parties</b>                          |  |            |          |                                    |  |           |           |
| <b>Loans - non current</b>                                     |  |            |          |                                    |  |           |           |
| Regis Investment S.A.  | -  | 21/12/2013 | EUR      | 117,000                            | 23,314                                   | 117,000   | 117,000   |
| Pioneer Holding S.A.   | -  | 31/12/2015 | EUR      | 117,000                            | -  | 117,000   | 117,000   |
| Regis Investment S.A.  | -  | 21/07/2015 | GBP      | 64,230                             | 5%                                       | 64,230    | 64,230    |
| Income Holding S.A.  | -  | 12/02/2015 | GBP      | 56,288                             | -  | 56,288    | 56,288    |
| Regis Investment S.A.  | 3%   | 01/01/2018 | GBP      | 189,106                            | -  | 189,106   | 189,106   |
| Pioneer Holding S.A.   | 3%   | 01/01/2018 | GBP      | 189,106                            | -  | 189,106   | 189,106   |
| Regis Investment S.A.  | 7.04% margin                                   | 25/12/2014 | USD      | 58,000                             | 7,287                                    | 58,000    | 58,000    |
| Pioneer Holding S.A.   | 7.04% margin                                   | 25/12/2014 | USD      | 58,000                             | -  | 58,000    | 58,000    |
| Regis Investment S.A.  | 9.00% margin                                   | 29/09/2015 | USD      | 31,804                             | 3,500                                    | 31,804    | 31,804    |
| Pioneer Holding S.A.   | 9.00% margin                                   | 29/09/2015 | USD      | 31,804                             | -  | 31,804    | 31,804    |
| Regis Investment S.A.  | -  | 24/01/2017 | EUR      | 63,500                             | 1,712                                    | 63,500    | 63,500    |
| Pioneer Holding S.A.   | -  | 24/01/2017 | EUR      | 63,500                             | -  | 63,500    | 63,500    |
| Regis Investment S.A.  | 1.75% margin                                   | 29/01/2015 | EUR      | 25,773                             | -  | 25,773    | 25,773    |
| Pioneer Holding S.A.   | 1.75% margin                                   | 29/01/2015 | EUR      | 25,773                             | -  | 25,773    | 25,773    |
| Regis Investment S.A.  | 3.50% margin                                   | 10/01/2014 | EUR      | -                                  | 22                                       | -         | -         |
| Prime Capital S.A.   | 3.00% margin                                   | 10/01/2015 | EUR      | 2,561                              | 22                                       | 2,561     | 2,561     |
| Regis Investment S.A.  | 3.00% margin                                   | 30/03/2015 | GBP      | 159,943                            | 1,238                                    | 159,943   | 159,943   |
| Prime Capital S.A.   | 3.00% margin                                   | 30/03/2015 | GBP      | 159,943                            | 1,238                                    | 159,943   | 159,943   |
| Prime Capital S.A.   | -  | 31/12/2012 | EUR      | 117,000                            | 23,314                                   | 117,000   | 117,000   |
| Prime Capital S.A.   | -  | 23/07/2012 | GBP      | 64,230                             | 5%                                       | 64,230    | 64,230    |
| Prime Capital S.A.   | 0%   | 01/01/2018 | GBP      | 189,106                            | -  | 189,106   | 189,106   |
| Prime Capital S.A.   | 7.04% margin                                   | 25/12/2014 | USD      | 58,000                             | 7,287                                    | 58,000    | 58,000    |
| Prime Capital S.A.   | 9.00% margin                                   | 29/09/2015 | USD      | 31,804                             | 3,500                                    | 31,804    | 31,804    |
| Prime Capital S.A.   | -  | 24/01/2017 | EUR      | 63,500                             | 1,712                                    | 63,500    | 63,500    |
| Intercontinental Hotels Corporate                              | 4%   | -          | USD      | 245,746                            | -  | 245,746   | 245,746   |
|  |  |            |          |                                    | 79,467                                   | 1,565,145 | 987,348   |
| <b>Bank loans - non current</b>                                |  |            |          |                                    |  |           |           |
| Loan 1   | floating rate of GBP Libor + applicable margin | 05/07/2017 | GBP      | 158,716                            | 1,376                                    | 201,212   | 201,212   |
| Loan 2   | 3-month Euribor + applicable margin            | 30/06/2016 | EUR      | 750,000                            | -  | 750,000   | 750,000   |
| Loan 3   | 4-month Euribor + applicable margin            | 30/06/2020 | EUR      | 65,000                             | -  | 65,000    | 65,000    |
| Loan 4   | Libor + applicable margin                      | 11/03/2017 | USD      | 47,000                             | -  | 47,000    | 47,000    |
| Loan 5   | Euribor + applicable margin                    | 27/05/2022 | EUR      | 144,111                            | 2,121                                    | 144,111   | 144,111   |
| Loan 6   | fixed rate                                     | 27/12/2017 | GBP      | 400,000                            | 5,779                                    | 400,000   | 400,000   |
| Loan 7   | 3-month Euribor + applicable margin            | 30/09/2019 | EUR      | 75,000                             | 259                                      | 75,000    | 75,000    |
| Loan 8   | Libor + applicable margin                      | 21/09/2011 | USD      | 145,000                            | -  | 145,000   | 145,000   |
| Loan 9   | 3-month Libor + applicable margin              | 28/02/2016 | USD      | 940,000                            | 1,051                                    | 940,000   | 940,000   |
| Loan 10  | 1% + 3-month notional swap                     | 11/01/2016 | GBP      | 240,000                            | 1,672                                    | 240,000   | 240,000   |
| Loan 11  | 6-month Euribor + applicable margin            | 01/01/2016 | EUR      | 1,000,000                          | -  | 1,000,000 | 1,000,000 |
|  |  |            |          |                                    | 13,875                                   | 2,456,053 | 1,351,872 |
| <b>TOTAL</b>   |  |            |          |                                    | 93,342                                   | 4,021,206 | 2,839,220 |
|  |  |            |          |                                    |  | 2015      | 2014      |
| <b>Interest-bearing loans and borrowings - non current</b>     |  |            |          |                                    |  |           |           |
| Interest-bearing loans and borrowings                          |  |            |          |                                    |  | 4,021,206 | 2,839,220 |
| Accrued interests capitalized on the loan                      |  |            |          |                                    |  | 79,467    | 11,967    |
| <b>Total non-current interest-bearing loans and borrowings</b> |  |            |          |                                    |  | 4,100,673 | 2,851,187 |
| <b>Interest-bearing loans and borrowings - current</b>         |  |            |          |                                    |  |           |           |
| Current portion of PIONEER HOLDING S.A. loan                   |  |            |          |                                    |  | -         | 96,067    |
| Current portion of REGIS INVESTMENT S.A. loan                  |  |            |          |                                    |  | 46,175    | 26,569    |
| Current portion of PRIME CAPITAL S.A. loan                     |  |            |          |                                    |  | 87,145    | -         |
| Accrued interests on bank loans                                |  |            |          |                                    |  | 11,875    | 7,127     |
| Ultimate shareholders  |  |            |          |                                    |  | 1,640     | -         |
| Current portion of bank loan                                   |  |            |          |                                    |  | 85,132    | 27,913    |
| Bank overdraft   |  |            |          |                                    |  | 1,600     | 1,754     |
| <b>Total of current borrowings</b>                             |  |            |          |                                    |  | 976,782   | 233,263   |
| <b>Total interest-bearing loans and borrowings</b>             |  |            |          |                                    |  | 5,077,455 | 3,084,450 |

\* 1% = variable based on the performance of the Company

\*\*During 2014 the board of directors decided not to exercise the option to extend the maturity date end, as a result, the loan are payable in 2015.

\*\*\*Upon agreement between Intercontinental Hotels Corporation and Constellation Hotels Holding S.C.A.

The comparative figures for the year ended December 31, 2014, have been reclassified in order to ensure the comparability between the two exercises. For a better view of the reader, an amount of 7,132 thousand euros has been reclassified from non-current interest-bearing loans and borrowings to current interests-bearing loans and borrowings. This reclassification corresponds to the accrued interests on banks loans.

The Group has bank loan with a Bank for an amount of 420,474 thousand euros with an initial maturity date as of January 29, 2016 and bearing interest rate of 3 month Libor + applicable margin. The maturity was extended to April 27, 2017.

The fair value of the borrowing approximate the carrying amount.

The Group has bank overdraft classified in short term loan for an amount of 1,800 thousand euro at a Luxembourg bank and is repayable on demand (2014: 1,754 thousand euro).

The Company and its subsidiary, CHH Finance S.A., respectively pledged the former's subscribed shares of the latter amounting to EUR 31,000 and the latter's bank account as well as *fiducie-sûreté* over its subscribed Notes (refer to note 12), in favour of Bank in its capacity as lender (refer to loan 5).

Fleet Street I Investments Ltd pledged its shares in Fleet Street Investments II Limited as a guarantee to the bank loan taken by the latter (refer to loan 1).

Pursuant to a share pledge agreement all the shares issued by Constellation Hotels France SAS are pledged in favour of the banks (refer to loan 2).

Constellation Hotels France SAS entered into a conventional mortgage for an amount of 275,000 thousand euro in favour of bank and for an amount of 110,000 thousand euro in favour of another bank in their capacity as lenders. Extreme effective date is 31 January 2021 (refer to loan 2).

Constellation Hotels France SAS entered into a conventional mortgage for an amount of 27,500 thousand euro in favour of bank and for an amount of 11,000 thousand euro in favour of another bank in their capacity as hedging bank. Extreme effective date is 31 January 2021 (refer to loan 2).

Constellation Hotels France SAS entered into a conventional mortgage (as security) for an amount of 14,850 thousand euro in favour of bank and for an amount of 5,940 thousand euro in favour of another bank. Extreme effective date is 31 January 2021 (refer to loan 2).

Further, Constellation Hotels France SAS entered into a complementary mortgage as security for the payment of the interest due under the Facility (refer to loan 2).

Constellation Hotels France SAS entered as well into a first ranking pledge of the business in favour of bank in its capacity as lender, as agent and as hedging bank and in favour of another bank in its capacity as lender and as hedging bank (refer to loan 2).

Constellation Hotels France SAS pledged all its bank accounts and receivables and assigned the professional receivables as a security (refer to loan 2).

CU GI MI SpA renegotiated its Facility with several banks for a total amount of 70,000 thousand euro. This loan is secured by means of a mortgage on the owned property and by pledging 100% of the shares in favour of the Lenders (refer to loan 3).

One of two undertakings of Constellation Hotels France Grand S.A., Société des Hôtels InterContinental France (SHIF) SAS, pledged all of its issued shares in favour of bank in its capacity as lender. The pledged issued share capital of SHIF amounts to EUR 115,110,892 (refer to loan 11).

Pursuant to a share pledge agreement dated 1 May 2013, Constellation Hotels Holding pledged in favour of a bank, London Branch all the present and future rights, titles, interests and benefits in to and under the Shares and Distributions (i.e. all rights, titles, interests and benefits of Constellation Hotels Holding in respect of any dividend, bonus shares or any type of distribution, return or right in respect of any of the shares of Constellation Hotel UK S.A. (whether by way of bonus, conversion, disposition, exchange, option, preference, redemption, sale substitution or otherwise) (refer to loan 10)

Pursuant to a share pledge agreement dated 1 May 2013, Constellation Hotels Holding and Constellation Hotel UK S.A. pledged in favour of a bank, London Branch all the present and future rights, titles, interests and benefits in to and under the Shares and Distributions (i.e. all rights, titles, interests and benefits of Constellation Hotels Holding in respect of any dividend, bonus shares or any type of distribution, return or right in respect of any of the shares of Constellation Hotel (OpCo) UK S.A. (whether by way of bonus, conversion, disposition, exchange, option, preference, redemption, sale substitution or otherwise) (refer to loan 10)

Pursuant to a receivables pledge agreement dated 1 May 2013, Constellation Hotel UK S.A. pledged in favour of a bank, all the present and future claims it has or will have against Constellation Hotel (OpCo) UK S.A. under the Intercompany Loan Agreements, including, for the avoidance of doubt, all income deriving there from, payments made or to be made in respect thereof, interest thereon, proceeds thereof and rights, title and benefits in relation thereto (refer to loan 10)

Pursuant to a receivables pledge agreement dated 1 May 2013, Constellation Hotel (OpCo) UK S.A. pledged in favour of a bank, all the present and future claims it has or will have against Constellation Hotel UK S.A. under the Intercompany Loan Agreements, including, for the avoidance of doubt, all income deriving there from, payments made or to be made in respect thereof, interest thereon, proceeds thereof and rights, title and benefits in relation thereto (refer to loan 10)

Pursuant to a receivables pledge agreement dated 1 May 2013, Constellation Hotels Holding pledged in favour of a bank, all the present and future claims it has or will have against Constellation Hotel UK S.A. and Constellation Hotel (OpCo) UK S.A. under the Intercompany Loan Agreements, including, for the avoidance of doubt, all income deriving there from, payments made or to be made in respect thereof, interest thereon, proceeds thereof and rights, title and benefits in relation thereto (refer to loan 10)

Pursuant to the Term Loan and Security Agreement dated 31 March 2014, the indirect undertaking of Constellation Barclay UK Limited i.e. 111 East 48th Street Holdings, LLC (Delaware, USA) pledged in favour of a bank, as collateral, all right, title, and interest of pledger in and to the followings. (i) Interest Rate Cap Agreement, (ii) all payments, distributions, disbursements due to be delivered to pledger in relation to Interest Rate Cap Agreement, (iii) all pledgers' claims, rights, powers, privileges, authority, options, security interests, liens and remedies, if any, under Interest Rate Cap Agreement, including all accessions and addition to, replacements, products and proceeds of any of the foregoing (refer to loan 8)



## Note 19: Other current payables

| In thousands of euros                  | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| Accrued construction cost              | 9 026            | 7 345            |
| Operating provision for hotel business | 10 144           | 12 720           |
| Accrued severance                      | 5 338            | 4 380            |
| Retention payable                      | 968              | 1 529            |
| Accrued salaries & wages               | 31 394           | 16 456           |
| Taxes excluding income tax             | 24 448           | 14 067           |
| Prepayments from tenants               | 7 815            | 5 252            |
| Tenant payables and deposits           | 4 624            | -                |
| Other payables to third parties        | 8 245            | -                |
| Other accrued expenses                 | 7 160            | 5 222            |
| <b>Total other current payables</b>    | <b>109 162</b>   | <b>66 972</b>    |

The other payable to third parties is mainly composed of the loan to Col Investment the former shareholder of Séléné S ar l for an amount of EUR 5,576

## Note 20: Financial instruments

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2015 and 2014.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge instruments in place at 31 December 2015.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rates swaps, in which the Group agrees to exchange, at specified intervals, the differences between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designed to hedge underlying debt.



obligations. At 31 December 2015, after taking into account the effect of interest rate swaps, 47.85% of the Group's borrowings are hedged.

Since the floating rate financial are 60.39% hedged with floating to fixed interest rate swaps, there will be no impact on profit or loss arising due to variability of interest income and expense. However, a change in interest rate will affect the fair value of the value of the swap and therefore will affect the profit or loss and equity. Also, the impact of interest rate on cash deposits held by the Group is not expected to be material on the profit or loss of the Group.

#### Interest rate sensitivity

The sensitivity analysis has been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities at the statement of financial position date and has been based on management's assessment of the possible changes in interest rates.

Had the interest rate been higher (lower) of 100 basis point, the net profit and net equity would have been lower (higher) of 62,124 thousand euro.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

The Group has an opportunistic approach in relation with foreign currency exchanges.

#### Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in GBP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

In thousands of euro

| Change in GBP<br>rate | Effect on profit<br>before tax | Change in USD<br>rate | Effect on profit<br>before tax | Change in HUF<br>rate | Effect on profit<br>before tax |
|-----------------------|--------------------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| 20%                   | 1 313                          | 20%                   | (32)                           | 20%                   | 2 046                          |
| -20%                  | (1 313)                        | -20%                  | 32                             | -20%                  | (2 046)                        |

The movement in the post-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in GBP, where the functional currency of the entity is a currency other than GBP. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in equity arises from changes in GBP borrowings (net of cash and cash equivalents) in the hedge of net investments in GBP operations and cash flow hedges. These movements will offset the translation of the GBP operations' net assets into euro.

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### ***Credit risk related to financial instruments and cash deposit***

##### ***Cash***

Before placing cash with any bank, the Group has due consideration to both investment and credit risk. Although most of its cash balances are held with only two European banks, the concentration risks are deemed insignificant given the good reputation of the two European banks.

##### ***Receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Given that the Group has advanced loans to its subsidiaries, the main counterparty risk lies in the inability of the subsidiaries to pay the interest payments on a timely basis which will be borne by the ultimate holding company. However, as a means to mitigate this counterparty risk, the Group has arranged for the rental income earned by the subsidiary to be deposited directly in the bank account of the Group. The interest on loans receivables are offset against that amount first whilst the remaining amount sits as an amount payable in the accounts of the Group.

##### ***Interest rate swap***

Credit risk also arises on the interest rate swap agreement entered into with a European bank. Nevertheless, the counterparty risk is controlled since the Group has chosen a bank with a good credit rating of A1, as issued by Moody's. In case of an unlikely default, the Company will be exposed to a floating rate interest of GBP LIBOR on the bank loan taken from another European bank since the purpose of the derivative financial instrument was to swap floating interest rate with a fixed interest rate.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

As the rental income is received on a quarterly basis and interest payment under bank loan agreement is made on a quarterly basis as well, part of the liquidity risk is mitigated. Also, rental income is first restricted to the payment of the bank loan interest and then the other expenses of the Group.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

## 2015

| In thousands of euros                                  | TOTAL     | Less than 1 year | Between 1 to 5 years | More than 5 years |
|--|-----------|------------------|----------------------|-------------------|
| Long-term borrowings without interests (refer note 17) | 2 456 063 | -                | 1 221 045            | 1 225 018         |
| Interest payable in the future                         | 432 926   | 77 653           | 255 714              | 98 560            |
| Shareholder loans (refer note 17)                      | 1 565 145 | -                | 294 462              | 1 270 683         |
| Interest payable in the future                         | 511 536   | 30 290           | 214 551              | 256 595           |
| Other non-current liabilities                          | 10 441    | -                | 10 441               | -                 |
| Short term shareholder loans                           | 135 959   | 135 959          | -                    | -                 |
| Current portion of bank loans                          | 470 832   | 470 832          | -                    | -                 |
| Trade payables   | 59 836    | 59 836           | -                    | -                 |
| Other current payables (refer note 19)                 | 109 162   | 109 162          | -                    | -                 |

## 2014

| In thousands of euros                                  | TOTAL     | Less than 1 year | Between 1 to 5 years | More than 5 years |
|--|-----------|------------------|----------------------|-------------------|
| Long term borrowings without interests (refer note 17) | 1 351 872 | -                | 1 007 435            | 344 437           |
| Interest payable in the future                         | 145 142   | 27 994           | 99 893               | 17 255            |
| Shareholder loans (refer note 17)                      | 987 948   | -                | 261 770              | 725 578           |
| Interest payable in the future                         | 301 243   | 74 958           | 123 024              | 103 261           |
| Other non-current liabilities                          | 10 902    | -                | 10 902               | -                 |
| Short term shareholder loans                           | 125 636   | 125 636          | -                    | -                 |
| Current portion of bank loans                          | 79 573    | 79 573           | -                    | -                 |
| Trade payables   | 12 398    | 12 398           | -                    | -                 |
| Other current payables                                 | 66 972    | 66 972           | -                    | -                 |

## Fair values

The term "Financial instruments" includes financial assets and financial liabilities. The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value of financial assets and liabilities is estimated using quoted market prices for similar instruments and adjusted for differences between the quoted instrument and the instrument being valued. In certain cases, including the loans advanced to borrowers, where there are no ready markets, various techniques have been used to estimate the fair value of the instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Readers of these financial statements are advised to use caution when using the data to evaluate the Group's financial position or to make comparisons with other companies.

The fair value of cash and cash equivalents, other receivables and other payables is equal to their book value.

The following table gives details of the carrying amounts and fair values of financial instruments

| In thousands of euros               | Carrying Amount<br>2015 | Fair Values<br>2015 | Carrying Amount<br>2014 | Fair Values<br>2014 |
|-------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| <b>Assets</b>                       | <b>851 912</b>          | <b>928 928</b>      | <b>355 961</b>          | <b>355 961</b>      |
| Others non-current financial assets | 544 371                 | 621 387             | 181 338                 | 181 338             |
| Cash and cash equivalents           | 277 976                 | 277 976             | 162 225                 | 162 225             |
| Trade and other receivables         | 29 565                  | 29 565              | 12 398                  | 12 398              |
| <b>Liabilities</b>                  | <b>4 822 344</b>        | <b>4 822 344</b>    | <b>2 669 845</b>        | <b>2 669 845</b>    |
| Borrowings                          | 2 926 395               | 2 926 695           | 1 431 445               | 1 431 445           |
| Debt towards shareholder            | 1 701 104               | 1 701 104           | 1 112 984               | 1 112 984           |
| Derivatives                         | 25 847                  | 25 847              | 21 217                  | 21 217              |
| Trade and other payables            | 168 992                 | 165 938             | 104 199                 | 104 199             |

All financial assets, liabilities and investment properties that are measured at fair value are level 3 fair value measurements

| In thousands of euro                      | Date of valuation | TOTAL    | Quoted prices<br>in active<br>markets<br>(level 1) | Significant<br>observable<br>inputs<br>(level 2) | Significant<br>unobservable<br>inputs<br>(level 3) |
|---|-------------------|----------|--|--|--|
| <b>Assets measured at fair value</b>      |                   |          |  |  |  |
| Investment properties                     |                   |          |  |  |  |
| Office properties                         | 31 December 2015  | 420 083  | -  | -  | 420 083  |
| Retail properties                         | 31 December 2015  | 706 906  | -  | -  | 706 906  |
| <b>Liabilities measured at fair value</b> |                   |          |  |  |  |
| Derivatives financial liabilities         |                   |          |  |  |  |
| Interest rate swaps                       | 31 December 2015  | (25 847) | -  | -  | (25 847)   |
| Interest rate cap                         | 31 December 2015  | 557      | -  | -  | 557  |

## Note 21: Income tax

The major components of income tax expense for the years end 31 December 2015 and 2014 are

| In thousands of euros  | 2015    | 2014    |
|--|---------|---------|
| Current income tax   | (2 109) | (5 784) |
| Sub-total, current income tax                                  | (2 109) | (5 784) |
| Deferred tax   |         |         |
| Relating to origination and reversal of temporary differences  | 27 517  | 2 600   |
| Sub-total, deferred tax  | 27 517  | 2 600   |
| Income tax expense reported in the statement of profit or loss | 25 408  | (3 184) |

| In thousands of euros  | 2015      | 2014     |
|--|-----------|----------|
| Accounting loss before income tax                                  | (147 695) | (21 604) |
| At Luxembourg's statutory income tax rate of 29.22% (2013: 29.22%) | -43 156   | -6 313   |
| Difference in tax rate   | 16 192    | 7 817    |
| Adjustments in respect of current income tax of previous years     | -         | -        |
| Effect of unrecognized losses carried forward                      | (11 970)  | (18 952) |
| Permanent differences  | (21 970)  | 1 642    |
| Income tax expense reported in the statement of profit or loss     | 25 408    | (3 184)  |

| In thousands of euros | 2015      | 2014     |
|-----------------------|-----------|----------|
| Income tax expense    | 25 408    | (3 184)  |
| Net profit or loss    | (122 287) | (24 788) |
|                       | 17.20%    | -14.74%  |

Deferred taxes are related to the following

| In thousands of euros                               | Consolidated statement of financial position |           | Consolidated statement of profit or loss |         |
|---|--|-----------|--|---------|
|   | 2015   | 2014      | 2015                                     | 2014    |
| Timing differences for tax purposes                 | 5 977  | (2 012)   | -  | -       |
| Revaluation of tangible assets                      | (341 818)                                    | (141 067) | 66 351                                   | (2 061) |
| Revaluations of investment properties to fair value | (5 812)                                      | (971)     | (11 085)                                 | -       |
| Pension   | 584  | 1 230     | 66                                       | (75)    |
| Revaluation of financial instruments at fair value  | 8 455  | 6 248     | (2 451)                                  | 51      |
| Other   | (32 549)                                     | (8 402)   | (5 101)                                  | 4 446   |
| Effect of tax rate difference                       | -  | -         | (5 700)                                  | -       |
| Tax loss carried forward                            | 51 580                                       | 15 600    | (29 797)                                 | (4 961) |
| Deferred tax expense/ (income)                      | -  | -         | (27 517)                                 | (2 600) |
| Net deferred tax assets/ (liabilities)              | (416 850)                                    | (133 291) | -  | -       |

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority

#### Details of the income tax

| In thousands of euros  | 2015            | 2014            |
|--|-----------------|-----------------|
| <b>Opening balance as of 1 January 2015</b>                          | <b>(13 910)</b> | <b>(5 962)</b>  |
| Tax income/ (expense) during the period recognized in profit or loss | (2 109)         | (5 784)         |
| Tax income/ (expense) during the period recognized in OCI            | -               | (4 764)         |
| Deferred taxes generated during the year                             | 27 517          | 2 600           |
| <b>Closing balance as at 31 December 2015</b>                        | <b>11 498</b>   | <b>(13 910)</b> |

#### Note 22: Revenue

| In thousands of euros        | 2015           | 2014           |
|------------------------------|----------------|----------------|
| Rental income                | 44 264         | 40 155         |
| Income from hotel operations | 514 332        | 284 400        |
| <b>Total revenue</b>         | <b>558 596</b> | <b>324 555</b> |

The Group activities are located in United Kingdom, United States of America, France, Greece, Italy and Hungary

#### Note 23: Operating expense

| In thousands of euros                  | 2015           | 2014           |
|--|----------------|----------------|
| Purchase of goods and services         | 127 754        | 49 513         |
| Distribution and marketing             | 14 578         | 5 752          |
| Administration expenses                | 27 485         | 36 338         |
| Operating leases                       | 2 974          | 2 460          |
| Bad debt allowances (refer to note 13) | 10 191         | 662            |
| Depreciation of intangible assets      | 19 061         | 4 968          |
| Depreciation of tangible assets        | 62 128         | 28 509         |
| Insurance                              | 3 846          | 3 460          |
| Staff costs                            | 184 610        | 130 415        |
| Real estate taxes                      | 22 317         | 10 884         |
| Utilities                              | 5 700          | 2 301          |
| Repairs & maintenance                  | 15 260         | 8 803          |
| Royalties                              | 1 692          | 1 668          |
| Other                                  | 15 024         | 9 191          |
| <b>Total operating expense</b>         | <b>513 620</b> | <b>294 928</b> |

## Note 24: Financial income and expense

### Financial income

| In thousands of euros       | 2015          | 2014         |
|-----------------------------|---------------|--------------|
| Interest and similar income | 5 313         | 4 128        |
| Net foreign exchange gain   | 4 368         | -            |
| Other financial income*     | 13 524        | 52           |
| <b>Financial income</b>     | <b>23 205</b> | <b>4 180</b> |

\*mainly composed of the interest income on bonds (refer to note 12) for an amount of 12,555 thousand euros

### Financial expense

| In thousands of euros                                     | 2015             | 2014            |
|---|------------------|-----------------|
| Changes in fair value of derivative financial instruments | (10 342)         | (2 219)         |
| Interest on bank loan and similar expense                 | (119 229)        | (47 059)        |
| Interest on shareholders loans                            | (55 364)         | (29 474)        |
| Net foreign exchange loss                                 | -                | (1 100)         |
| Other financial charges                                   | (4 611)          | (2 565)         |
| <b>Financial expense</b>                                  | <b>(189 546)</b> | <b>(82 517)</b> |

Certain amounts pertaining to 2014 have been reclassified to conform to the current year's presentation. Such reclassification do not have any impact on the previous reported comprehensive income or equity.

## Note 25: Other operating income

The other operating income is mainly composed of 25,908 thousand euro related to the guaranty agreement provided by Hyatt International to Constellation Hotel Holding Ltd S.à r.l. (2014: 14,954 thousand euro)

## Note 26: Other non-operating expense

The other non-operating expense is mainly composed of 77,905 thousand euro related to the impairment of the goodwill on Constellation Hotel France S.A.S.

## Note 27: Auditors remuneration

As at 31 December 2015, the annual statutory auditor's remuneration for the entire Group amounts to 908 thousand euros (2014: 686 thousand euros)

## Note 28 Off-Balance sheet commitments

Off-balance sheet commitments (not discounted) given at 31 December 2015 break down as follows

| In thousands of euros | 2015          | 2014          |
|-----------------------|---------------|---------------|
| Guarantees            | 30 000        | 30 000        |
| <b>TOTAL</b>          | <b>30 000</b> | <b>30 000</b> |

A European bank issued upon the instruction of the Company a guarantee of 30 million euro to the banks that provide finance to the group companies (Société du Louvre-Lafayette SAS, Concorde Martinez SAS and Société du Palais de la Méditerranée SAS).

## Note 29: Related party transactions

For the purpose of applying IAS 24, the Group has identified the following related parties.

All fully and proportionately consolidated companies and all associated companies accounted for by the equity method (refer to note 17),

All members of the Executive Committee and the Board of Directors and the members of their direct families,

- All companies in which a member of the Executive Committee or the Board of Directors holds material voting rights,
- Companies that exercise significant influence over the Group (refer to note 4),

Fully consolidated companies by a company that exercise significant influence over the Group

All loans received from shareholders in 2015 and 2014 and all related interest are related party transactions. Alex McCoy and Alan Corkish are employees of Deutsche Bank Cayman Limited and acted as officer or director to various subsidiaries of Deutsche Bank (Cayman) Limited, which provides ongoing corporate and portfolio administration services to the Group at normal commercial rates to which administration fees and disbursements are payable for the period ended 31 December 2015 and 2014.

## Note 30: Subsequent events

### Financing

The loan with European bank for an amount of 420,474 thousand euros was due February 29, 2016 and extended until August 31, 2016. On August 31, 2016, the loan was modified by changing the maturity date to April 27, 2017. In consideration of this modification, the Group paid a one-time extension fee of \$920,000.



## Acquisitions

The Company through its subsidiary, Constellation Hungary S A , did the following acquisitions subsequent to year-end

| Date of business acquisition | Investee company   | Ownership in investee company | Business and location                      | Total investment made by the Company |
|------------------------------|--|-------------------------------|--|--------------------------------------|
| April 2016                   | River Dunainvest<br>Ingatlanfejlesztő<br>Korlátolt Felelősségű<br>Társaság | 81.63%                        | 100% in a mixed use real estate in Hungary | EUR 6,849,375<br>+ HUF<br>1,200,000  |

## Conflict

The Greek entities are in conflict with their tenants and a juridical procedure to evict the tenants is in course as of the date of the signature of these consolidated financial statements

## Other

On January 22, 2016 the Group entered into a lease termination agreement with the tenant (JP Morgan) for a fee of 10,000 thousand USD (One Wall Street)

In February 2016, the Group received a voluntary early repayment of the Mezzanine Notes FINANCIERE LOV amounting to 90,231 thousand EUR