COMPANY REGISTRATION NUMBER 08804288

CONSTELLATION BARCLAY UK LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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CONTENTS

CONSTELLATION BARCLAY UK LIMITED
COMPANY INFORMATION

Company Secretary	Zaki Nasser Zaki El-Guiziri
Directors	Jassim Bin Hamad Bin Jassim Bin Jabr Al-Thani Fady Jan Bakhos
Registered Office	Lynton House 7-12 Tavistock Square London WC1H 9LT
Company Number	08804288
Auditor	Menzies LLP Chartered Accountants Ashcombe House 5 The Crescent Leatherhead KT22 8DY

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BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

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 2017 and generated a profit on ordinary activities before taxation of $63,257,242 (2016: loss of $97,407,804). The net assets position as at 31 December 2017 is $268,054,588 (2016: $206,921,108).

The profit arises as a result of a part reversal of an investment impairment amounting to $52,180,861. The valuation of the investment is based on the performance of its subsidiary's investment and assessed in line with the Company's accounting policies. The value is based on management forecasts and third party valuations of the underlying hotel asset.

As a result, the key financial performance indicator is:

Carrying value of investment: $103,412,560 (2016: $86,512,679)

FUTURE DEVELOPMENTS

The directors intend to wind up the Company by transferring its investment to other companies within the group.

PRINCIPAL RISKS AND UNCERTAINTIES

As the Company is a holding company, the principal risks facing the business is that they do not receive a satisfactory return on their investment. Therefore it is dependent on the performance of the underlying hotel asset.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Whilst its exposure to risk is largely controlled by its parent company, the Company is exposed to financial risk as follows:

a) 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.

b) 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.

c) Interest rate risk

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

d) 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.

On behalf of the board

F J Bakhos

Director

29.9.18

CONSTELLATION BARCLAY UK LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2017

The Directors submit their report and the financial statements of Constellation Barclay UK Limited for the period ended 31 December 2017.

RESULTS AND DIVIDENDS

The results for the period are set out on page 8. The directors have not recommended a dividend.

DIRECTORS

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

Jassim Bin Hamad Bin Jassim Bin Jabr Al-Thani
Fady Jan Bakhos

GOING CONCERN

The directors intend to wind up the Company by transferring its investment to other companies within the group. As a result, the Company is not a going concern and these financial statements have been prepared on a break-up basis. We draw your attention to note 2 of the financial statements which outlines the events and conditions that indicate that the going concern basis is inappropriate.

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 deemed 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

29.9.18

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 UK Accounting 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.

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Opinion

We have audited the financial statements of Constellation Barclay UK Limited for the year ended 31 December 2017 which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to note 2 in the financial statements, which outlines the management's decision to wind up the Company as part of a group restructure process. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that the going concern basis is inappropriate. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Menzies LLP

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

Date: 1 October 2018

CONSTELLATION BARCLAY UK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Revenue		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administrative expenses		(87)	(107)
OPERATING LOSS	4	(87)	(107)
Finance income	5	11,163	10,244
Impairment of investment in subsidiary	7	52,181	(107,459)
PROFIT/(LOSS) BEFORE TAX		63,257	(97,322)
Tax charge	6	(2,123)	(86)
PROFIT/(LOSS) FOR THE PERIOD		61,134	(97,408)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		61,134	(97,408)

All revenue and operating results are derived from discontinued operations.

The notes on pages 11 to 17 form part of these financial statements.

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CONSTELLATION BARCLAY UK LIMITED
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 $'000	2016 $'000
NON-CURRENT ASSETS			
Investment in subsidiaries		-	86,513
Loans to subsidiaries		-	100,000
		-	186,513
CURRENT ASSETS			
Investment in subsidiaries	7	103,413	-
Loans to subsidiaries	8	133,218	21,553
Loans to parent company	8	33,615	-
Other receivables	8	6	6
TOTAL ASSETS		270,252	208,072
EQUITY			
Share capital	10	23,700	23,700
Share premium	10	270,272	270,272
Retained earnings		(25,917)	(87,051)
TOTAL EQUITY		268,055	206,921
CURRENT LIABILITIES			
Loans from parent company	9	-	992
Trade and other payables	9	42	42
Income tax	9	2,155	118
TOTAL LIABILITIES		2,197	1,152
TOTAL EQUITY AND LIABILITIES		270,252	208,072

The financial statements were approved by the board of Directors and authorised for issue on 29.9.18 and were signed on its behalf by:

F J Bakhos

Company registration number 08804288

The notes on pages 11 to 17 form part of these financial statements.

CONSTELLATION BARCLAY UK LIMITED
STATEMENT OF CHANGES IN EQUITY
PERIOD ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Retained earnings $'000	Total $'000
As at 31 December 2015	23,700	236,079	10,357	270,136
Issue of shares	-	34,193	-	34,193
Comprehensive income for period	-	-	(97,408)	(97,408)
As at 31 December 2016	23,700	270,272	(87,051)	206,921
Issue of shares	-	-	-	-
Comprehensive income for period	-	-	61,134	61,134
As at 31 December 2017	23,700	270,272	(25,917)	268,055

The notes on pages 11 to 17 form part of these financial statements.

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1. COMPANY INFORMATION

Constellation Barclay UK Limited is a private company limited by shares and is registered in England and Wales. The Company's principal activity is that of an investment company.

The address of the company's registered office is shown on the company information page. Its principal place of business is 111 East 48th St, New York, NY 10017, USA.

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 Invest UK Limited have been prepared in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework' and the Companies Act 2006.

The directors intend to wind up the Company by transferring its investment to other companies within the group. This indicates that the Company is no longer a going concern. Therefore the financial statements have been prepared on a break-up basis and the following policies and procedures were implemented:

- at 31 December 2017 all non-current assets are considered as realisable, hence reclassified as current assets
- all assets have been disclosed at values at which they are expected to be realised
- all liabilities reflect the full amount at which they are expected to materialise

Consolidation

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. Its registered office is 15, boulevard Roosevelt L-2450 Luxembourg.

Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 statement of profit or loss and other comprehensive income.

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 the statement of profit or loss and other comprehensive income.

All investments have been classified as current assets.

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 the income statement.

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.

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 statement of profit or loss and other comprehensive income.

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.

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. Loan and other payables comprise of intercompany debt and is disclosed as such.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 2, management are 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 is reviewed for impairment in line with accounting policies outlined in note 2 to these financial statements. The subsidiary undertaking has prepared forecasts and obtained third party valuations, which support the carrying value of the investment.

4. OPERATING LOSS

The operating loss is stated after charging:

	2017	2016
	$'000	$'000
Auditors remuneration	23	16
Gains on foreign currency exchange	16	(15)
Impairment reversal/(charge) on fixed asset investments	52,181	(107,549)

	2017	2016
	$'000	$'000
Company auditor's remuneration		
Audit of Company accounts	23	16
Other services		
- accounting services	11	8
Total Company auditor's remuneration	34	24

5. FINANCE INCOME

	2017	2016
	$'000	$'000
Interest income on financial assets classified as loans and receivables	11,163	10,244

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6. INCOME TAX

	2017 $'000	2016 $'000
UK corporation tax	2,123	86

Corporation tax is calculated at 19.25% of the estimated assessable profit for the period (2016: 20%).

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

	2017 $'000	2016 $'000
Factors affecting tax charge for the period:		
Profit/(Loss) before taxation	63,257	(97,322)
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	12,177	(19,464)
Effects of:		
Group relief	(9)	(1,997)
Impairment of investment	(10,045)	21,491
Adjustment in respect of prior year	-	56
Total current tax	2,123	86
Tax on profit/(loss) on ordinary activities	2,123	86

7. INVESTMENTS

	Investments in subsidiaries $'000
Cost	
At 1 January 2017	193,972
Additions	-
Disposals	(35,281)
At 31 December 2017	**158,691**
Impairment	
At 1 January 2017	(107,459)
Impairment reversal	52,181
At 31 December 2017	**(55,278)**
Net book value at 31 December 2017	**103,413**
Net book value at 31 December 2016	86,513

7. INVESTMENTS *(continued)*

The company has a direct holding in the following subsidiary:

Name	Country of registration	Principal place of business	Nature of business	Percentage and class of equity owned
Constellation Barclay US, LLC	United States of America	111 East 48th Street, New York, NY 10017, USA	Investment company	100% subscribed capital

The company also has an indirect holding in the following companies:

Name	Country of registration	Principal place of business	Nature of business	Percentage and class of equity owned
Constellation Barclay Invest UK Limited	United Kingdom	111 East 48th Street, New York, NY 10017, USA	Investment company	100% ordinary shares
Constellation Barclay Holding US, LLC	United States of America	111 East 48th Street, New York, NY 10017, USA	Investment company	100% subscribed capital
111 East 48th Street Holdings, LLC	United States of America	111 East 48th Street, New York, NY 10017, USA	Hotels and accommodation	80.1% subscribed capital

The Company has performed its annual impairment test on the value of its subsidiary, Constellation Barclay US, LLC. As at 31 December 2017, the valuation of the underlying hotel asset, determined on the basis of value in use, resulting in an impairment reversal of $52,180,861.

Key assumptions used to determine the value were the external third party valuation, the operating results and the discount rate. Operating results are based on management forecasts of the underlying hotel asset. The discount rate is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity.

The cost of equity is derived from the expected return on investment. The cost of debt is based on weighted average cost of the group borrowings. Specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. In 2017, the cash flows were discounted at a rate of 8.25%.

8. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Amounts falling due within one year:		
Loans to subsidiaries	133,218	21,553
Loans to parent company	33,615	-
Other receivables	6	6
	166,839	21,559
Amounts falling due within greater than one year:		
Loans to subsidiaries	-	100,000
	-	100,000

9. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Amounts falling due within one year:		
Accruals	42	42
Loans from parent company	-	992
Income tax	2,155	118
	2,197	1,152

10. SHARE CAPITAL

Authorised, issued, called up and fully paid

	31 December 16 No of shares	Share capital $	Share premium $
Ordinary shares of $1 each	23,700,116	23,700,116	270,271,857

	31 December 17 No of shares	Share capital $	Share premium $
Ordinary shares of $1 each	23,700,116	23,700,116	270,271,857

11. RESERVES

Retained earnings

This reserve records accumulated profits less distributions to owners.

12. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The immediate parent company is Constellation Hotels Holdings Limited S.A., company incorporated in Luxembourg.

The ultimate parent company is Prime Capital S.A. Consolidated financial statements can be obtained from 15 Boulevard Roosevelt, L-2450, Luxembourg.

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. POST BALANCE SHEET EVENTS

The directors intend to wind up the Company by transferring its investment to other companies within the group after the balance sheet date.

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

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 2017

Building a better
working world

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Société anonyme

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Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Constellation Hotels Holding Ltd S.C.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law and standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers of Constellation Hotels Holding GP S.à r.l. (the "General partner") is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers of the General Partner and those charged with governance 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 IFRS 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 of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers of the General Partner is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers of the General Partner either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers of the General Partner.

- Conclude on the appropriateness of Board of Managers of the General Partner use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Kinsch   Pavel Nesvedov

Luxembourg, 29 June 2018

Constellation Hotels Holding Ltd SCA

Consolidated Statement of Financial Position

As at 31 December 2017

ASSETS

(in EUR '000)	Notes	31 Dec. 2017	31 Dec. 2016
NON-CURRENT ASSETS			
Property, plant and equipment		2 502 253	3 237 761
Investment properties		-	1 128 436
Intangible assets		195 640	883 502
Investment in associates and joint ventures		25 866	9 888
Other non-current financial assets		445 141	459 366
Deferred tax assets		57 468	59 449
TOTAL NON-CURRENT ASSETS		**3 226 368**	**5 778 402**
CURRENT ASSETS			
Inventories		4 172	6 211
Trade and other receivables		27 795	42 597
Other current assets		1 180 922	315 857
Current tax receivables		538	9 465
Cash and cash equivalents		92 874	211 284
TOTAL CURRENT ASSETS		**1 306 301**	**585 414**
Assets of a disposal group held for sale		60 607	-
TOTAL ASSETS		**4 593 276**	**6 363 816**

The accompanying notes are an integral part of these consolidated financial statements.

Constellation Hotels Holding Ltd SCA

Consolidated Statement of Financial Position (Continued)
As at 31 December 2017

EQUITY AND LIABILITIES

(in EUR '000)	Notes	31 Dec. 2017	31 Dec. 2016
EQUITY			
Issued share capital		166 031	166 031
Legal reserve		676	676
Contribution without issue of shares		1 135 191	1 397 205
Foreign currency translation reserve		(181 326)	(106 309)
Other reserves		(46 874)	(18 939)
Asset revaluation surplus		538 402	-
Retained earnings		(399 987)	(185 697)
Equity attributable to equity holders of the parent		*1 212 113*	*1 252 967*
Non-controlling interests		55 072	79 860
TOTAL EQUITY		**1 267 185**	**1 332 827**
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings		2 351 082	3 619 975
Deferred tax liabilities		353 197	394 573
Other non-current liabilities		4 118	8 732
Derivative financial instruments		17 527	22 125
Provisions		9 733	20 709
TOTAL NON-CURRENT LIABILITIES		**2 735 657**	**4 066 114**
CURRENT LIABILITIES			
Interest bearing loans and borrowings		351 415	787 612
Trade payables		61 492	58 149
Other current payables		127 300	107 708
Current tax payables		1 185	6 498
Provisions		4 574	4 908
TOTAL CURRENT LIABILITIES		**545 966**	**964 875**
Liabilities associated with the disposal group held for sale		44 468	-
TOTAL LIABILITIES		**3 326 091**	**5 030 989**
TOTAL EQUITY AND LIABILITIES		**4 593 276**	**6 363 816**

The accompanying notes are an integral part of these consolidated financial statements.

Constellation Hotels Holding Ltd SCA

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

(in EUR '000)	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Revenue		570 520	588 311
Fair value adjustments in investment properties		-	(73 988)
Operating expense		(830 613)	(585 349)
Other operating income		72 171	62 210
Operating loss		**(187 922)**	**(8 816)**
Other non-operating income		105	2 456
Other non-operating expense		(3 164)	(12 267)
Finance income		118 466	65 784
Finance expense		(244 086)	(168 801)
Share of profit of associates and joint ventures		379	1 459
Gain on disposal of subsidiaries		52 063	-
LOSS BEFORE TAX		**(264 159)**	**(120 185)**
Income tax credit		10 973	45 308
LOSS FOR THE YEAR		**(253 186)**	**(74 877)**
Attributable to:			
Equity holders of the parent		(214 289)	(67 001)
Non-Controlling Interests (NCI)		(38 897)	(7 876)

The accompanying notes are an integral part of these consolidated financial statements.

Constellation Hotels Holding Ltd SCA

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

(in EUR '000)	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
LOSS FOR THE YEAR		(253 186)	(74 877)
Remeasurements losses on defined benefit plans		(1 574)	(14 655)
Net gains on derivative financial instruments		2 041	2 467
Net other comprehensive income/ (loss) to be reclassified in the P&L in subsequent period		**467**	**(12 188)**
Revaluation surplus on property, plant and equipment		534 698	-
Disposal of subsidiaries		(7 519)	-
Exchange differences on translation of foreign operations		(68 945)	(122 312)
Net other comprehensive income/ (loss) not to be reclassified in the P&L in subsequent period		**458 234**	**(122 312)**
Other comprehensive income/(loss), net of tax		**458 701**	**(134 500)**
Total comprehensive income/(loss) for the year, net of tax		**205 515**	**(209 377)**
Attributable to:			
Equity holders of the parent		221 161	(200 304)
Non-Controlling Interests (NCI)		(15 646)	(9 073)

The accompanying notes are an integral part of these consolidated financial statements.

Constellation Hotels Holding Ltd SCA

Consolidated Statement of Cash flows

For the year ended 31 December 2017

(in EUR '000)	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Operating activities			
Loss before tax		(264 159)	(120 185)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation and write-off of property, plant and equipment		87 069	94 323
Amortisation and impairment of intangible assets		205 786	4 785
Loss in fair value of property, plant and equipment		64 500	-
Change in fair value of investment properties and derivative		(1 302)	73 390
Adjustment for other non-cash items		8 773	20 770
Share of profit of associates and joint ventures		(379)	(1 459)
Gain on disposal of subsidiaries		(52 063)	-
Interest income		(16 459)	(25 863)
Interest expense		220 757	158 097
Working capital adjustments			
(Increase)/Decrease in trade and other receivables, prepayments and inventory		(31 220)	87 857
Increase/(Decrease) in trade and other payables		94 269	(8 571)
Received/paid interest and income taxes			
Interest received		16 459	25 863
Interest paid		(126 319)	(144 651)
Income tax paid		(7 511)	(3 852)
Net cash flows from operating activities		**198 201**	**160 504**
Investing activities			
Purchase of property, plant and equipment		(219 218)	(197 563)
Purchase of investment properties		(82 305)	(104 927)
(Acquisition)/redemption of bonds and loans		(19 931)	85 005
Acquisition of associates and joint ventures, net of cash acquired		(25 493)	(8 429)
Disposal of subsidiaries, net of cash disposed		(124 982)	-
Held for sale, net of cash		(4 552)	-
Net cash flows used in investing activities		**(476 487)**	**(225,914)**

Consolidated Statement of Cash flows (continued)

For the year ended 31 December 2017

Financing activities		
Contribution without issue of shares	125 408	113 676
Proceeds from borrowings	61 304	34 853
Repayment of borrowings	(29 252)	(126 983)
Net cash flows from financing activities	**157 460**	**21 546**
Net decrease in cash and cash equivalents	(120 826)	(43 864)
Net foreign exchange difference	(3 232)	(4 668)
Net increase/(decrease) in restricted cash	5 648	(18 160)
Cash, cash equivalents and restricted cash at 1 January	211 284	277 976
Cash, cash equivalents and restricted cash at 31 December.	**92 874**	**211 284**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(in EUR '000)	Issued share capital	Legal reserve	Contribution without issue of shares	Foreign currency translation reserve	Other reserves	Asset revaluation surplus	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interests (NCI)	Total Equity
Notes										
At 01 January 2016	166 031	676	1 283 529	14 806	(7 305)	-	(118 696)	1 339 041	70 086	1 409 127
Loss for the period	-	-	-	-	-	-	(67 001)	(67 001)	(7 876)	(74 877)
Other Comprehensive loss	-	-	-	(121 115)	(12 188)	-	-	(133 303)	(1 197)	(134 500)
Total comprehensive Loss	-	-	-	(121 115)	(12 188)	-	(67 001)	(200 304)	(9 073)	(209 377)
Capital contribution without issuing shares	-	-	113 676	-	-	-	-	113 676	18 847	132 523
Change in scope of consolidation	-	-	-	-	554	-	-	554	-	554
At 31 December 2016	166 031	676	1 397 205	(106 309)	(18 939)	-	(185 697)	1 252 967	79 860	1 332 827
Loss for the period	-	-	-	-	-	-	(214 289)	(214 289)	(38 897)	(253 186)
Other Comprehensive Income/(Loss)	-	-	-	(75 017)	(27 935)	538 402	-	435 450	23 251	458 701
Total comprehensive Income/(Loss)	-	-	-	(75 017)	(27 935)	538 402	(214 289)	221 161	(15 646)	205 515
Net of capital contribution without issuing shares	-	-	(262 014)*	-	-	-	-	(262 014)	(9 142)	(271 156)
At 31 December 2017	166 031	676	1 135 191	(181 326)	(46 874)	538 402	(399 987)	1 212 113	55 072	1 267 185

* Repayment for an amount of (EUR 387 422 thousand) and issuing for an amount of EUR 125 408 thousand.

The accompanying notes are an integral part of these 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.

The Group is owned by the following shareholders:

Name	Country of incorporation	Percentage of ownership 2017	Percentage of ownership 2016
Prime Capital S.A.	Luxembourg	99.98%	49.99%
Regis Investment S.A.	Luxembourg	-	49.99%
Constellation Hotels Holding GP S.à.r.l.	Luxembourg	0.02%	0.01%
Regis Limited S.à.r.l.	Luxembourg	-	0.01%

As of 31 December 2017, Regis Investment S.A. sold 49.99% representing 830,155 shares and Regis Limited S.à r.l. sold 0.01% representing 1 unlimited share of the Group to Prime Capital S.A. and Constellation Hotels Holding GP S.à r.l respectively.

The consolidated financial statements were authorized by the Board of Managers of Constellation Hotels Holding GP S.à r.l., (the "Management Company"), on 29 June 2018.

Note 2: Significant accounting policies

2.1. Basis of preparation

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

The consolidated financial statements have been prepared on going concern basis applying a historical cost basis, except for, property, plant and equipment, investment properties and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in EUR 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.

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017.

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
- 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3. Summary of significant accounting policies

2.3.1. Business combinations and loss of control and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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. 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.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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.

2.3.2. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence over the joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least
- twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3. Fair value measurements

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, property, plant and equipment at fair value at each balance sheet date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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).

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as property plant and equipment and the recoverable amounts of the cash generating units. Involvement of external valuers is determined annually by the Group management after discussion with and approval by the Company's Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group management analyses the movements in the values of assets which are required to be remeasured as per the Group's accounting policies. For this analysis, the Group management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

2.3.4. Revenue recognition

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.

2.3.5. Taxes

2.3.5.1. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.3.5.2. Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when 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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax 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 taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3.6. Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2.3.6.1. Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.3.6.2. Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.3.6.3. Disposal group Held for sale

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.3.7. Property, plant and equipment

Property, plant and equipment are measured at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed annually.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is charged to profit or loss applying the straight line method at the rates specified below. The difference between the depreciation under the cost model and the depreciation under the revaluation model is recognised in the revaluation reserve directly. Depreciation on all additions in fixed assets is charged from the date in which the asset is available for use and on disposals up to the date of disposal.

Item	**Useful life in years**
Land	Indefinite
Building	35 to 70
Plant and machinery	8 to 12
Furniture, fittings and equipment	4 to 10

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Description of the valuation techniques used are disclosed in Note 7.

2.3.8. Borrowing costs

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.

2.3.9. Investment properties

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. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

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 recognised in the profit or loss in the period of derecognition.

Description of the valuation techniques used are disclosed in Note 9.

2.3.10. Intangible Assets

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.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

A summary of useful lives of Group's intangible assets is, as follows:

Item	Useful life in years
Concessions, patents and licenses	5 to 7
Other intangibles (including management contract)	30 to 41
Goodwill and Brands	indefinite

2.3.11. Financial instruments – initial recognition and subsequent measurement

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 entity.

2.3.11.1. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction cost that are attributable to the acquisition of financial assets.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. The Group does not have any financial asset to be measured on fair value through profit or loss.

Loans and receivables

As defined by IAS 39 – Financial instruments, "Loans and receivables" mainly comprise 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.

Held-to-maturity

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to reply.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2.3.11.2. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, shareholders and bank loans, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.11.3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously

2.3.12. Derivative financial instruments

The Group uses derivative financial instruments, such as, interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

2.3.13. Inventories

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.

2.3.14. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.15. Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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.

2.3.16. Provisions

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.

2.3.17. Pensions and other post-employment benefits

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.

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.

2.4. Change in accounting policies and disclosure

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of all classes of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 31 December 2017, the Group elected to change the method of accounting for land, building and plant and machinery classified as property, plant and equipment, as the Group believes that the revaluation model provides more relevant information to the users of its financial statements. The Group applied the revaluation model prospectively. After initial recognition, property, plant and equipment are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For details refer to Note 7.

2.4.1. New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on 1 January 2017.

The nature and the impact of each amendment is described below:

2.4.1.1. Amendments to IAS 7 Disclosure Initiative

The amendments are part of the IASB's Disclosure Initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect of the management of financing activities.

The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7.

Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective of these amendments.

The Group has adopted the amendment in the current year but the amendment did not affect the Group's financial statements.

2.4.1.2. Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:

- the carrying amount of an asset does not limit the estimation of probable future taxable profits; and that
- when comparing deductible temporary differences with the future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible differences.

The Group has adopted the amendment in the current year but the amendment did not affect the Group's financial statements.

2.4.1.3. Annual Improvements 2014-2016 Cycle

Amendments to IFRS 12 disclosure of interests in other entities: Clarification of the scope of disclosure requirement in IFRS 12. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the Standard, except for those in paragraphs B10-B16, apply to any interests that are classified as held for sale, held for distribution to owners or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

As 31 December 2017, the Group classified its interest in a Hotel in France, a wholly owned subsidiary, as held for sale (see Note 21), but these amendments did not affect the Group's financial statements.

2.4.1.4. Standard issued but not yet effective

The standards and interpretations that are issued, but not yet effective, are disclosed below. The Group intends to adopt these standards, when they become effective.

2.4.1.5. 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 Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. IFRS 9 has been endorsed by the EU on 22 November 2016. The group plans to adopt the new standard on the required effective date and will not restate comparative information.

2.4.1.6. IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. IFRS 15 has been endorsed by the EU on 22 September 2016 and the group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group is still in process of assessing the impact of this amendment on the consolidated financial statements.

2.4.1.7. Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

2.4.1.8. 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 recognise 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 recognise 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 recognise 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. The standard's transition provisions permit certain reliefs.

The Group has assessed the impact of the standard and concluded that it will not have material impact on the financial statements.)

2.4.2. Annual Improvements 2014-2016 Cycle (issued in December 2016)

IFRS 1 *First-time Adoption of International Financial Reporting Standards*- Deletion of short-term exemptions for first-time adopters IFRS 1

The proposed amendment would delete the short-term exemptions in paragraphs E3-E7 of IFRS 1, because the relief provided in those exemptions was relevant for reporting periods than have now passed and, as such, has served its intended purpose.

The exemptions in these paragraphs allowed first-time adopters the same transition relief as existing IFRS preparers with respect to:

- providing certain comparative disclosures about financial instruments, which were required as a result of several amendments to IFRS 7;
- providing comparative information for the disclosures required by IAS 19 about the sensitivity of the defined benefit obligation to actuarial assumptions; and
- retrospective application of the investment entities requirements of IFRS 10, IFRS 12 and IAS 27.

The IASB is also proposing to delete the requirement in paragraph E6 of IFRS 1 to assess whether an entity is an investment entity based on facts and circumstances at the date of transition to IFRSs on the basis that this has the same outcome as requiring the assessment to be made retrospectively. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- The beginning of the reporting period in which the entity first applies the interpretation, or
- The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Note 3: Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

3.1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1.1. Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

3.1.2. Operating lease contracts – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property), that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.1.3. Disposal group held for sale

On 5 May 2017, the Board of Directors of the Group announced its decision to sell the hotel Palais de la Méditerranée wholly owned by Societé du Palais de la Mediterranée, a wholly owned subsidiary of the Group. Operations of Societé du Palais de la Mediterranée are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- The actions to complete the sale were initiated and are expected to be completed within one year from the date of initial classification;
- The buyer is identified and negotiations as at the reporting date are completed;
- The shareholders approved the plan to sell on 31 December 2017.

For more details on the disposal group held for sale, refer to Note 21.

3.1.4. 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.

3.2. Estimates and assumptions

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.

3.2.1. Revaluation of Property plant and equipment and investment property

The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. In addition, it measures the property, plant and equipment at revalued amounts, with changes in fair value being recognised in OCI. The properties were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged an independent valuation specialist to assess fair values of property plant and equipment as at 31 December 2017.

The significant methods and assumptions used by valuers in estimating the fair value of investment property and property, plant and equipment are set out in Note 7 and 9.

3.2.2. 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 6.

3.2.3. Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile.

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 (refer to Note 22).

Note 4: Group structure

As at 31 December 2017, the consolidated financial statements of the Group include the following entities:

Fully consolidated subsidiaries (global method)

Name	Principal activities	Country of Incorporation	% equity interest 2017	2016
Constellation Hotels France S.A.S.	Holding company	France	100%	100%
Société du Louvre-La Fayette 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%
Hotel Martinez S.A.S.	Hotel Business	France	100%	100%
Constellation Hotel Martinez S.A.S.	Hotel Business	France	100%	100%
Société du Palais de la Méditerranée	Hotel Business	France	100%	100%
Constellation Palais de la Méditerranée S.A.S.	Hotel Business	France	100%	100%
Fleet Street Investments I Ltd	Holding company	Cayman Islands	100%	100%
Fleet Street Investments II Ltd	Holding company	Cayman Islands	100%	100%
CU.GI.MI. S.p.A.	Hotel Business	Italy	100%	100%
Constellation Barclay UK Ltd	Holding company	UK	100%	100%
Constellation Barclay US, LLC	Holding company	USA	100%	100%
Constellation Barclay Invest UK, Ltd	Holding company	UK	100%	100%
Constellation Barclay Holding US, LLC	Holding company	USA	100%	100%
111 East 48 Street Holdings LLC	Hotel Business	USA	80.01%	80.01%
Ballet Properties S.A.	Holding company	Luxembourg	100%	100%
Industry Solutions Kft	Holding company	Hungary	100%	-
QPR Properties Kft	Hotel Business	Hungary	100%	100%
CHH Finance S.A.	Holding company	Luxembourg	100%	100%
Séléné S.à.r.l	Holding company	Luxembourg	100%	100%
Séléné Holdings Ltd	Hotel Business	UK	100%	-
Séléné Midco Ltd (Sub-consolidation)	Hotel Business	UK	100%	-
Constellation US Hotels Holding S.A.	Holding company	Luxembourg	100%	-
Constellation Surrey Holding S.A.	Holding company	Luxembourg	100%	-
Constellation Boston Holding S.A.	Holding company	Luxembourg	100%	-
Constellation Boston LLC	Holding company	USA	100%	-

Associates

Name	Principal activities	Country of Incorporation	% equity interest 2017	2016
Constellation US Hotels Holding S.A.				
Copley Plaza Sole Member LLC	Holding company	USA	51%	-
Iconic Copley Plaza Mezz Borrower LLC	Holding company	USA	51%	-
Iconic Copley Plaza Hotel LLC	Hotel Business	USA	51%	-

Main changes in scope of consolidation

Entry in scope of consolidation

Name	Principal activities	Country of Incorporation	% equity interest 2017	2016
Ballet Properties S.A.				
Industry Solutions Kft	Holding company	Hungary	100%	-
Séléné S.à.r.l				
Séléné Holdings Ltd	Hotel Business	UK	100%	-
Séléné Midco Ltd (Sub-consolidation)	Hotel Business	UK	100%	-
Constellation US Hotels Holding S.A.				
Constellation US Hotels Holding S.A.	Holding company	Luxembourg	100%	-
	Holding company	Luxembourg	100%	-
Constellation Boston Holding S.A.	Holding company	Luxembourg	100%	-
Constellation Boston LLC	Holding company	USA	100%	-
Copley Plaza Sole Member LLC	Holding company	USA	51%	-
Iconic Copley Plaza Mezz Borrower LLC	Holding company	USA	51%	-
Iconic Copley Plaza Hotel LLC	Hotel Business	USA	51%	-

Exit from scope of consolidation

Name	Principal activities	Country of Incorporation	% equity interest 2017	2016
Fleet Street Investments III Ltd	Investment Property	British Virgin Islands	-	100%
Séléné S.à.r.l				
Coroin Ltd	Holding company	UK	-	100%
Claridge's Hotel Holdings Ltd (Sub-consolidation)	Hotel Business	UK	-	100%
Constellation Hotel UK S.A.				
Constellation Hotel UK S.A.	Hotel Business	Luxembourg	-	100%
Constellation Hotel (OpCo) UK S.A.	Hotel Business	Luxembourg	-	100%
Helens RE S.A.				
Helens RE S.A.	Holding company	Luxembourg	-	100%
Helens RE I Commercial Investments	Investment Property	Greece	-	100%
Helens RE II Commercial Investments	Investment Property	Greece	-	100%
Helens RE III Commercial Investments	Investment Property	Greece	-	100%
Helens RE IV Commercial Investments	Investment Property	Greece	-	100%
Constellation OWS Holding S.A.				
Constellation OWS Holding S.A.	Holding company	Luxembourg	-	100%
Constellation OWS Corporation Inc.	Holding company	USA	-	100%
MIP One Wall Street Holdings LLC	Investment Property	USA	-	90.01%
MIP One Wall Street Mezzanine LLC	Investment Property	USA	-	90.01%
MIP One Wall Street Acquisition LLC	Investment Property	USA	-	90.01%

Exit from scope of consolidation (cont.)

Name	Principal activities	Country of Incorporation	% equity interest 2017	2016
Constellation Hotels France Group Holding S.A.				
Constellation Hotels France Group Holding S.A.	Holding company	Luxembourg	-	100%
Constellation Hotels France Grand S.A.	Holding company	Luxembourg	-	100%
Société des Hôtels InterContinental France S.A.S.	Holding company	France	-	100%
SHIF Constellation S.A.S.	Hotel Business	France	-	100%
Grand Hôtel intercontinental Paris SNC	Hotel Business	France	-	100%
BHR Services (France) S.A.S.	Hotel Business	France	-	100%
Constellation Hotels Italy S.r.l.				
Constellation Hotels Italy S.r.l.	Hotel Business	Italy	-	100%
Constellation Hotels Management S.r.l.	Hotel Business	Italy	-	100%
Constellation Hungary (formely CHH France 2) S.A.				
Constellation Hungary (formely CHH France 2) S.A.	Holding company	Luxembourg	-	100%
Property Market Kft	Hotel & Retail Business	Hungary	-	40%
Kopaszi Gat Kft	Hotel & Retail Business	Hungary	-	40%

In 2017, all entities are fully consolidated in the consolidated financial statements except for the new affiliated companies Copley Plaza Sole Member LLC and its subsidiaries, which is consolidated following the equity method as it is a Joint Venture jointly controlled by both members.

In 2016, all entities are fully consolidated in the consolidated financial statements except for the associate Property Market Kft. and Kopaszi Gat Kft., which are consolidated following the equity method (owned by 40% by the Group).

Note 5: 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 2017.

The main indicator used for capital management purposes is the debt-to-equity ratio (equity including shareholder loans for capital 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 capital 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 unrealised gains and losses recognized directly in equity, but exclude non-controlling interests.

(in EUR '000)	31 December 2017	31 December 2016
Interest-bearing loans and borrowings (refer to Note 16)	1 347 968	2 387 623
Accrued interests (refer to Note 16)	4 848	8 130
Derivate financial instruments (refer to Note 17)	17 527	22 125
Non interest-bearing loans	197 865	233 333
Less: cash and short-term deposits	(92 874)	(211 284)
Net debt	**1 475 334**	**2 439 927**
Equity attributable to equity holders of the parent company	1 212 113	1 252 967
Shareholders loans and third party loans including capitalized interest (refer to Note 16)	1 152 733	1 778 501
Total capital	**2 364 846**	**3 031 468**
Capital and net debt	3 840 033	5 471 395
Debt- to - equity ratio (Net debt / Total capital) (%)	62%	80%

Note 6: Intangible assets

The table below shows the Concessions, patents and licenses, other intangibles and goodwill at the closing date:

(in EUR '000)	Concessions, patents and licenses	Other intangibles	Goodwill	TOTAL
At 01 January 2016	**450**	**314 414**	**641 969**	**956 833**
Acquisition	605	111	-	716
Disposal	(372)	-	-	(372)
Amortisation	(214)	(4 597)	-	(4 811)
Exchange difference	18	(42 494)	(26 388)	(68 864)
At 31 December 2016	**487**	**267 434**	**615 581**	**883 502**
Acquisition	58	24	-	82
Disposal	(87)	-	-	(87)
Disposal of subsidiaries	(17)	(233 457)	(225 498)	(458 972)
Transfer	107	-	-	107
Amortisation	(149)	(3 693)	-	(3 842)
Impairment	-	-	(201 944)	(201 944)
Assets held for sale	(144)	-	(8 906)	(9 050)
Exchange difference	70	(8 921)	(5 305)	(14 156)
At 31 December 2017	**325**	**21 387**	**173 928**	**195 640**

The disposal total amount of EUR 458 972 thousand due to the disposal of subsidiaries is composed of the London hotels for a total amount of EUR 339 014 thousand, the Italian hotels for EUR 18 804 thousand and the French hotels for EUR 101 154 thousand as follows:

(in EUR '000)	Concessions, patents and licenses	Other intangibles	Goodwill	TOTAL
the London hotel	(6)	(214 565)	(124 443)	(339 014)
the Italian hotels	-	(17 007)	(1 797)	(18 804)
the French hotels	(11)	(1 885)	(99 258)	(101 154)
Total disposal of subsidiaries	**(17)**	**(233 457)**	**(225 498)**	**(458 972)**

As of 31 December 2017, the other intangible assets are mainly composed of the management contracts recognised on the acquisition of one of the London hotel for an amount of EUR 3 043 thousand (2016: EUR 95 774 thousand) and the Italian hotels for an amount of EUR 17 575 thousand (2016: EUR 18 950 thousand).

6.1. Impairment

The Group performed its annual impairment test in December 2017 and 2016. The Group considers the relationship between the value of the business and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the valuation of the hotel CGUs based on the future cash flow was higher than the book value, in particular due to significant revaluation uplift recorded by the Group in relation to the property plant and equipment due to change in accounting policy (refer to Note 2) . As a result the Group has reported the impairment in Goodwill to reduce the carrying values of CGUs to theirs recoverable amount.

The recoverable amount as at 31 December 2017 was determined at the level of the CGU. The CGU were determined as an individual hotel business. In determining recoverable amount of the CGU, the Group has used the fair value less cost of disposal (FVLCD) which was based on the cash flows discounted at a pre-tax rate between 6.14% to 9.75% (2016: 4.6% to 9.5%).

6.2. Key assumption used in value in use calculation

- Rental income growth;
- Discount rate;
- Growth rates used to extrapolate cash flows beyond the forecasted period.

Rental income growth – A yield is based on average income received from these properties in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 3.75% to 5.40% was applied.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its different business units and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on weighted average cost of the group borrowings. Business unit specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rates used to extrapolate cash flows beyond the forecast period – Rates are based on published industry research.

The management has performed the impairment test for all individual hotel business as at 31 December 2017 and has concluded to register an impairment related to the French hotels in Constellation France S.A.S. for EUR 188 253 thousand and to the Italian hotel in CU.GI.MI Spa for EUR 13 691 thousand.

Description of valuation techniques used to determine the recoverable amount of CGUs and related key inputs to those related recoverable amounts are sensitive are set out in the table below:

Companies	Location	Valuation technique(s)	Significant assumptions	2017
CU.GI.MI. S.p.A.	Florence, Italy	Discounted cash flow method	Rental income growth	5.00%
			Discount rate	6.40%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	2.20%
Constellation Hotels France S.A.S.	Paris, France	Discounted cash flow method	Rental income growth	4.00%
			Discount on NOI Garanteed (2017-mid 2020)	6.83%
			Discount on NOI Non Garanteed (from mid 2020)	6.37%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	1.97%
Constellation Hotels France S.A.S.	Paris, France	Discounted cash flow method	Rental income growth	4.00%
			Discount on NOI Garanteed (2017-mid 2020)	7.08%
			Discount on NOI Non Garanteed (from mid 2020)	7.37%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	1.97%
Constellation Hotels France S.A.S.	Cannes, France	Discounted cash flow method	Rental income growth	5.00%
			Discount on NOI Garanteed (2017-mid 2020)	7.29%
			Discount on NOI Non Garanteed (from mid 2020)	7.22%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	1.97%
Séléné S.à.r.l.	London, UK	Discounted cash flow method	Rental income growth	3.75%
			Discount rate	6.39%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	2.50%

Selene S.a.r.l	London, UK	Discounted cash flow method	Rental income growth	4.50%
			Discount rate	6.14%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	1.70%
Constellation US Hotels Holding S.A.	Boston, USA	Discounted cash flow method	Rental income growth	5.40%
			Discount rate	9.75%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	3.00%
Constellation Barclay UK Ltd	New York, USA	Discounted cash flow method	Rental income growth	4.50%
			Discount rate	8.25%
			The period over which management has projected cash flows	10
			Growth rates used to extrapolate cash flows beyond the forecasted period	1.70%

Note 7: Property, plant and equipment

The movements for the year are as follows:

(in EUR '000)	Land and Building	Plant, machinery and equipment	Construction in progress	Total
Cost or valuation				
At 01 January 2016	**3 226 194**	**282 579**	**23 027**	**3 531 800**
Reclassification	22 580	2 368	(24 948)	-
Additions	74 538	63 525	61 163	**199 226**
Disposal	-	(1 663)	-	**(1 663)**
Exchange rate difference	(253 140)	(41 877)	3 366	**(291 651)**
At 31 December 2016	**3 070 172**	**304 932**	**62 608**	**3 437 712**
Reclassification	(131 434)	59 468	(73 878)	**(145 844)**
Additions	791	10 215	208 212	**219 218**
Disposal of subsidiaries	(1 211 647)	(150 060)	(83 516)	**(1 445 223)**
Revaluation gain/(loss)	746 600	(82 377)	-	**664 223**
Write off	(27 178)	(3 163)	-	**(30 341)**
Assets held for sale	(55 298)	(6 420)	-	**(61 718)**
Exchange rate difference	(117 866)	(11 883)	(6 025)	**(135 774)**
At 31 December 2017	**2 274 140**	**120 712**	**107 401**	**2 502 253**
Depreciation and impairment				
At 01 January 2016	**71 805**	**50 279**	-	**122 084**
Reclassification	44	(44)	-	-
Depreciation charge for the year	19 723	37 116	-	**56 839**
Impairment	37 484	-	-	**37 484**
Disposal	-	(1 359)	-	**(1 359)**
Exchange rate difference	614	(15 711)	-	**(15 097)**
At 31 December 2016	**129 670**	**70 281**	-	**199 951**
Reclassification	(103 216)	(42 735)	-	**(145 951)**
Depreciation charge for the year	25 032	31 696	-	**56 728**
Disposal of subsidiaries	(31 875)	(54 587)	-	**(86 462)**
Assets held for sale	(16 406)	(537)	-	**(16 943)**
Exchange rate difference	(3 205)	(4 118)	-	**(7 323)**
At 31 December 2017	-	-	-	-
Net book value				
At 31 December 2016	**2 940 502**	**234 651**	**62 608**	**3 237 761**
At 31 December 2017	**2 274 140**	**120 712**	**107 401**	**2 502 253**

The disposal total net amount of EUR 1 358 761 thousand due to the disposal of subsidiaries is composed of the London hotels for a total amount of EUR 944 871 thousand, the Italian hotels for EUR 103 368 thousand and the French hotels for EUR 310 522 thousand as follows:

(in EUR '000)	Land and Building	Plant, machinery and equipment	Construction in progress	Total
the London hotel	(783 566)	(92 431)	(68 874)	**(944 871)**
the Italian hotels	(92 362)	(2 001)	(9 005)	**(103 368)**
the French hotels	(303 844)	(1 041)	(5 637)	**(310 522)**
Total disposal of subsidiaries	**(1 179 772)**	**(95 473)**	**(83 516)**	**(1 358 761)**

Construction work in progress mainly represents refurbishment work carried out on French hotels in Constellation France S.A.S. The construction is expected to be completed in 2018.

The impairment of the year 2016 is related to the Intercontinental Barclay in Constellation Barclay US, LLC for EUR 37 484 thousand (USD 41 491 thousand).

7.1. Reconciliation of carrying amount

(in EUR '000)	31 December 2017
Carrying amount*	**1 838 030**
Level 3 revaluation gain recognised due to change in accounting policy to revaluation model	664 223
Carrying amount and fair value	**2 502 253**

* The Group changed the accounting policy with respect to the measurement of property plant and equipment as at 31 December 2017 on a prospective basis. Therefore, the carrying value of the property plant and equipment was not measured at fair value as at 31 December 2016.

Had the group not applied the fair value model the cost and the accumulated depreciation of the property plant and equipment would have been as below:

(in EUR '000)	31 December 2017
Cost	2 081 924
Accumulated depreciation	(243 894)
Net carrying value	**1 838 030**

7.2. Revaluation of property plant and equipment

Fair value of the property plant and equipment was determined using income approach, i.e. the discounted cash flows technique was applied. As at the dates of revaluation on 31 December 2017, the properties' fair values are based on valuations performed by an accredited independent valuer. A total net gain from the revaluation of the land building and plant & machinery of EUR 534 698 thousand in 2017 was recognised in OCI (EUR 518 516 thousand for the group and EUR 16 182 thousand for NCI), including EUR 728 723 thousand gain on revaluation and EUR 194 025 thousand net deferred tax impact. The total net loss amounting EUR 64 500 thousand was recognised through the income statement (refer to Note 24).

Description of valuation techniques used to determine the fair values of property, plant and equipment and key inputs to those the related fair values are sensitive are set out in the table below:

Companies	Location	Rooms	Valuation technique	Significant assumptions	2017
CU.GI.MI. S.p.A.	Florence, Italy	116	Discounted cash flow method	Discount rate	6.90%
				Terminal Cap rate	4.50%
Constellation Hotels France S.A.S.	Paris, France	165	Discounted cash flow method	Discount on NOI Garanteed (2017-mid 2020)	6.85%
				Discount on NOI Non Garanteed (from mid 2020)	6.87%
				Terminal Cap rate	4.40%
Constellation Hotels France S.A.S.	Paris, France	995	Discounted cash flow method	Discount on NOI Garanteed (2017-mid 2020)	7.33%
				Discount on NOI Non Garanteed (from mid 2020)	7.87%
				Terminal Cap rate	5.40%
Constellation Hotels France S.A.S.	Cannes, France	409	Discounted cash flow method	Discount on NOI Garanteed (2017-mid 2020)	7.40%
				Discount on NOI Non Garanteed (from mid 2020)	7.47%
				Terminal Cap rate	4.50%
Séléné S.à.r.l	London, UK	210	Discounted cash flow method	Discount rate	6.39%
				Terminal Cap rate	4.25%
Séléné S.à.r.l	London, UK	122	Discounted cash flow method	Discount rate	6.64%
				Terminal Cap rate	4.50%
Constellation Barclay UK Ltd	New York, USA	704	Discounted cash flow method	Discount rate	8.50%
				Terminal Cap rate	4.50%

All assets have been evaluated on the basis that the business is closed but immediately available to open its door for business.

Note 8: Operating leases – Group as Lessor

During 2017, the Group sold the following beneficial ownership of investment properties:

- Fleet Street Investments III Limited ; beneficial ownership of an investment property located at 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.
- Helens RE I, Helens RE II, Helens RE III and Helens RE IV; beneficial owners of the four supermarket deals in Greece.
- Constellation OWS Properties Inc. ; beneficial owner of an investment property located One Wall Street, New York, United States of America.

As at 31 December 2017, the Group does not own any investment property.

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

(in EUR '000)	31 December 2017	31 December 2016
Within 1 year	-	37 537
After 1 year, but no more than 5 years	-	125 808
More than 5 years	-	65 775
Total lease at end of year	**-**	**229 120**

Note 9: Investment properties

As described in Note 8, the Group sold the beneficial ownership of investment properties during the year and does not own any investment property as at 31 December 2017.

The movements for the year are as follows:

(in EUR '000)	31 December 2017	31 December 2016
At 01 January	**1 128 436**	**1 126 989**
Forex exchange loss	(104 342)	(29 492)
Disposal of subsidiaries	(1 106 399)	-
Capital expenditure	82 305	104 927
Fair value loss recognized during the year	-	(73 988)
At 31 December	**-**	**1 128 436**

As at 31 December 2016, the Group's investment properties consisted 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:

Companies	Location	Type	Size
Fleet Street Investments I Limited	Fleet Street, London, UK	Office property	34,423 sqm
Helens RE I	Alimos, Attica, Greece	Retail	14,856 sqm
Helens RE II	Tombazi Street, Thessaloniki, Greece	Retail commercial	19,811 sqm
Helens RE III	Ifigeneias Street, Attica, Greece	Retail commercial	8,728 sqm
Helens RE IV	Municipality of Pavlos Melas, Thessaloniki, Greece	Retail commercial	20,603 sqm
Constellation OWS Properties, Inc.	Wall Street one, New York, USA	Mixed use	95,624 sqm

As at 31 December 2016, the net fair value of the properties is based on valuations performed by JLL, an 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). The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13.

As set out in Note 3, 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.

As at 31 December 2017, no valuation of property was performed as the Group sold its investment properties.

The following table shows an analysis of incomes and expenses from investment property.

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Rental income derived from investment properties	24 788	30 532
Reversal on bad debt allowance on investment properties	10 052	
Direct operating expenses (including repair and maintenance) generating rental income	(5 650)	(1 466)
Profit arising from investment properties carried at fair value	**29 190**	**29 066**

Reconciliation of fair value

(in EUR '000)	Office properties	Retail/mixed use properties	Total
At 01 January 2016	**420 083**	**706 906**	**1 126 989**
Foreign exchange (losses)/gain	(55 697)	26 205	(29 492)
Capital expenditures	-	104 927	104 927
Revaluation gain recognized in profit or loss	(50 642)	(23 346)	(73 988)
At 31 December 2016	**313 744**	**814 692**	**1 128 436**
Foreign exchange losses	(6 990)	(97 353)	(104 343)
Capital expenditures	-	82 305	82 305
Disposal of subsidiaries	(306 754)	(799 644)	(1 106 399)
At 31 December 2017	**-**	**-**	**-**

The disposal of subsidiaries is composed of the London investment property for a total amount of EUR 306 754 thousand, the Greek investment property for EUR 64 800 thousand and the American investment property for EUR 734 845 thousand as follows:

(in EUR '000)	Office properties	Retail/mixed use properties	Total
the London investment property	(306 754)	-	(306 754)
the Greek investment properties	-	(64 800)	(64 800)
the American investment property	-	(734 845)	(734 845)
Total disposal of subsidiaries	**(306 754)**	**(799 645)**	**(1 106 399)**

Description of valuation techniques used and key inputs to reach the fair value of the investment properties:

Companies	Valuation technique(s)	Significant assumptions	2016
Fleet Street Investments I Limited	Traditional rent and yield approach	Estimated rental value (Market rent) per sqm	EUR 67.09 (for Peterborough Court) EUR 60.28 (for Daniel House)
		Net initial yield on contracted income	6.50%
		Reversionary yield (Sep. 2021)	4.75%
Constellation OWS Properties, Inc.	Discounted cash flow method (for residential rental component) Condominium sellout analysis (for residential and retail condominium)	Estimated rental value (Market rent) per sqm	EUR 90.12 (for residential) EUR 75.89 (for flex space)
		Growth in Market Rental Rate	3.00%
		Expense Growth Rate	3.00%
		Discount Rate (IRR)	8.00%
Helens RE I	Discounted cash flow method	Estimated rental value (Market rent) per sqm	EUR 7.00
		Net initial yield on contracted income	17.00%
		True equivalent yield	14.96%
		Reversionary yield (Sep. 2021)	5.83%
Helens RE II	Discounted cash flow method	Estimated rental value (Market rent) per sqm	EUR 7.00
		Net initial yield on contracted income	16.47%
		True equivalent yield	14.49%
		Reversionary yield (Sep. 2021)	6.14%
Helens RE III	Discounted cash flow method	Estimated rental value (Market rent) per sqm	EUR 6.00
		Net initial yield on contracted income	16.31%
		True equivalent yield	14.35%
		Reversionary yield (Sep. 2021)	6.23%
Helens RE IV	Discounted cash flow method	Estimated rental value (Market rent) per sqm	EUR 5.00
		Net initial yield on contracted income	15.44%
		True equivalent yield	13.60%
		Reversionary yield (Sep. 2021)	6.75%

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).

Fair value hierarchy

Refer to note 20.8 for the analysis of the fair values Investment properties recognised in the statement of financial position by level of the fair values measurement hierarchy.

Note 10: Investment in associates and joint ventures

The movements for the year are as follows:

(in EUR '000)	Copley Plaza Sole Member LLC	Property Market Kft	Kopaszi Gat Kft	TOTAL
At 01 January 2016	-	-	-	-
Balance at acquisition date		(149)	8 578	8 429
Total comprehensive income for the year (continuing operation)	-	201	1 258	1 459
At 31 December 2016	-	52	9 836	9 888
Balance at acquisition date	25 493	-	-	25 493
Total comprehensive income for the year (continuing operation)	373	25	(19)	379
Disposal of subsidiary		(77)	(9 817)	(9 894)
At 31 December 2017	25 866	-	-	25 866

The joint venture requires the parent's consent to distribute its profits. The parent does not foresee giving such consent at the reporting date.

The joint venture has no contingent liabilities and no capital commitments as at 31 December 2017.

The Group has made the following acquisitions during the year 2017:

Company	Type	Acquisition Date	% acquired
Copley Plaza Sole Member LLC	Hotel	14/12/2017	51%

Through its subsidiary Constellation US Hotels Holding S.A., the Group has acquired a 51% interest in Copley Plaza Sole Member LLC, which owns the Fairmont Copley Plaza Hotel located in Boston, Massachusetts, USA. The Group jointly control this entity and has been accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of this entity, and the income statement impact of the two entities disposed during the year:

(in EUR '000)	Copley Plaza Sole Member LLC	Property Market Kft	Kopaszi Gat Kft	TOTAL
Current assets	9 260	-	-	9 260
Non-current assets	145 582	-	-	145 582
Current liabilities	(5 614)	-	-	(5 614)
Non-current liabilities	(99 089)	-	-	(99 089)
Equity	**50 139**	**-**	**-**	**50 139**
Group's carrying amount of the investment	**25 866**	**-**	**-**	**25 866**
Revenue	1 875	2 422	1 322	5 619
Cost of sales	(487)	(2 280)	(2 609)	(5 376)
Administrative expenses	(1 384)	(23)	(638)	(2 045)
Fair value of investment property	-	-	5 056	5 056
Finance (costs)/income	727	(28)	(2 571)	(1 872)
Profit before tax	**731**	**91**	**560**	**1 382**
Income tax expense		(28)	(608)	(636)
Profit for the year (continuing operations)	**731**	**63**	**(48)**	**746**
Total comprehensive income for the year (continuing operation)	**731**	**63**	**(48)**	**746**
Group's share of profit for the year	**373**	**25**	**(19)**	**379**

The Group made the following acquisitions during the year 2016:

Company	**Type**	**Acquisition Date**	**% acquired**
Property Market Kft	Retail	19/04/2016	40%
Kopaszi Gat Kft	Retail	19/04/2016	40%

As the two companies were acquired during 2016, they are proportionally consolidated following the equity accounted method, and therefore there is no business combination as at 31 December 2016.

Through its subsidiary Constellation Hungary S.A., the Group acquired a 40% interest in Property Market Kft. And Kopaszi Gat Kft., which are involved in mixed used real estate business in Hungary. The Group's interest in those two entities were accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information as at 31 December 2016 of those two entities:

(in EUR '000)	Property Market Kft	Kopaszi Gat Kft	TOTAL
Current assets	59	5 724	5 783
Non-current assets	2 194	75 642	77 836
Current liabilities	(2 123)	(4 418)	(6 541)
Non-current liabilities		(52 357)	(52 357)
Equity	**130**	**24 591**	**24 721**
Group's carrying amount of the investment	**52**	**9 836**	**9 888**
Revenue	1 918	725	2 643
Cost of sales	(1 344)	(1 650)	(2 994)
Administrative expenses	(2)	(402)	(404)
Fair value of investment property		7 295	7 295
Finance (costs)/income	(23)	(2 291)	(2 314)
Profit before tax	**549**	**3 677**	**4 226**
Income tax expense	(45)	(531)	(576)
Profit for the year (continuing operations)	**504**	**3 146**	**3 650**
Total comprehensive income for the year (continuing operation)	**504**	**3 146**	**3 650**
Group's share of profit for the year	**201**	**1 258**	**1 459**

The Group sold these two entities during 2017.

Note 11: Other non-current financial assets

11.1. Held to maturity investments

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 consideration of EUR 270 707 thousand with a maturity date in 2022. The investment consists in four different bonds, namely:

- 66 837 Senior Tranche A Notes LOV HOTEL COLLECTION for a total amount of EUR 66 837 thousand;
- 24 863 Senior Tranche B Notes LOV HOTEL COLLECTION for a total amount of EUR 24 863 thousand;
- 90 231 Mezzanine Notes FINANCIERE LOV for a total amount of EUR 90 231 thousand (reimbursed in 2016);
- 88 776 Mezzanine Notes LOV HOTEL COLLECTION for a total amount of EUR 88 776 thousand.

As of 31 December 2017, an amortization of the Senior Tranche A Notes LOV HOTEL COLLECTION amounting to EUR 4 300 thousand (2016: EUR 4 100 thousand) and an amortization of the Senior Tranche B Notes LOV HOTEL COLLECTION amounting to EUR 712 thousand (2016: EUR 712 thousand) were received, thus leaving a net amount of the complete investment of EUR 168 602 thousand (EUR 173 614 thousand in 2016).

An impairment test was performed on these bonds and it was concluded that impairment does not exist. Indeed, as disclosed in note 29 of these consolidated financial statements, the bonds have been early and fully repaid as of the 11 April 2018. The amount fully repaid amounts to EUR 174 756 thousand (principal & accrued interest). Based on the repayment it has been concluded that the investment is fully recoverable and that no signs of impairment have been identified.

As the bonds have been repaid subsequent to 31 December 2017 for the amount of EUR 174 756 thousand, therefore, the fair value of the bonds amounts to EUR 174 756 thousand (EUR 207 972 thousand in 2016).

11.2. Loans and receivables

(in EUR '000)	31 December 2017	31 December 2016
Loan notes[2]	197 865	225 121
Loan to pacific Aviation Limited	-	1 873
Smallwell Properties Limited	-	6 054
Ostan dubh Linn Teoranta Limited	-	6 008
Loan to Patrick Mc Killen[1]	51 545	37 656
Loan to AAC Copley Partners LLC[4]	24 600	-
CACIB Equity Cure account[3]	-	6 000
Other	2 529	3 040
Total Loans and receivables	**276 539**	**285 752**

(in EUR '000)	31 December 2017	31 December 2016
Bonds loan	168 602	173 614
Total financial assets held to maturity	**168 602**	**173 614**
Other non-current financial assets	**445 141**	**459 366**

[1] Patrick Mc Killen is the former shareholder of Coroin Ltd. Following the acquisition of Séléné Sàrl in 2015, the Group has acquired also the loans bearing interests of 3% to the Irish companies for an amount of EUR 13 950 thousand and Patrick Mc Killen for an amount of EUR 37 656 thousand. During the period 2017, Patrick Mc Killen took over the loans to the Irish companies increasing the Group receivable from Patrick Mc Killen to EUR 51 545 thousand as at 31 December 2017. The Maturity date is as of 2021. No amount has been received in 2017.

[2] The loan notes for an amount of EUR 197 865 thousand (USD 237 300 thousand) are receivable from IHG with an expected repayment when IHG divest and with a variable interest rate of 1.83%.

[3] The amount of EUR 6 000 thousand was related to a secured deposit account at an European bank in Société des Hotels Intercontinental France S.A.S..

[4] AAC Copley Partners LLC is the joint member of the joint venture Copley Plaza Sole Member LLC.

Note 12: Trade and other receivables

The trade and other receivables can be detailed as follows:

(in EUR '000)	31 December 2017	31 December 2016
Trade receivables	28 367	53 398
Impairment of trade and other receivables	(572)	(10 801)
Total trade and other receivables (net)	**27 795**	**42 597**

Past-dues for the year ended 31 December 2017 and 2016 can be detailed as follow:

	Total	Neither past due nor impaired	< 30 dd*	30–60 dd*	61–90 dd*	91–120 dd*	> 120 dd*
	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000	EUR 000
At 31 Dec. 2016	**42 597**	14 958	12 939	7 607	1 051	668	5 374
At 31 Dec. 2017	**27 795**	15 010	9 700	292	359	952	1 482

*dd: due day

Variation of the impairment on trade receivables:

(in EUR '000)	Individually impaired	Collectively impaired	Total
At 01 January 2016	**10 380**	**55**	**10 435**
Charge for the year	37	101	138
Utilized	(6)	-	(6)
Unused amounts reversed	234	-	234
At 31 December 2016	**10 645**	**156**	**10 801**
Charge for the year	2	44	46
Utilized	(19)	-	(19)
Unused amounts reversed	(10 063)	11	(10 052)
Disposal of subsidiaries	(250)	(53)	(303)
Exchange difference	46	53	99
At 31 December 2017	**361**	**211**	**572**

From April 2015, the single tenant, 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), Marinopoulos S.A., started experiencing financial difficulties and did not pay the contractual rent and an impairment amounting EUR 10 052 thousand was recorded as this situation was deemed by the Directors of the Company to potentially have an impact on the recoverability of outstanding rent hence a provision for doubtful was made as of 31 December 2015. In 2016, no reversal of the provision for doubtful debts was made the group is still uncertain over the final outcome of the restructuring agreement – Transfer of business (refer Note 8).

In 2016, the Group entered into new lease agreement with a new customer Sklaventis S.A and also has entered into agreement to repay the outstanding rent of Marinopoulos S.A. (refer Note 8). The group has collected first reimbursement in February 2017 in accordance with the agreement.

In 2017, the tenant of the four Greek investment properties paid the rents on time. Thus, the impairment accumulated on trade receivables on regards of the four Carrefour hypermarkets amounting to EUR 10 052 thousand have been reversed during the year.

As at 31 December 2017, the amount of impairment on trade receivables amounts to EUR 572 thousand and is related to several insignificant bad debtors in Constellation Hotels France S.A.S. and CU.GI.MI Spa.

Note 13: Other current assets

The other assets are as follows:

(in EUR '000)	31 December 2017	31 December 2016
Receivable from Hyatt International (guarantee margin) [1]	18 418	19 990
Shareholders receivable [2]	942 070	-
Ultimate shareholders advance [3]	89 837	247 612
VAT and other tax [4]	13 114	590
Interest on bonds (refer to Note 11)	4 438	4 459
Receivable from other related parties [5]	91 670	-
Prepayments (hotel business) [6]	7 493	5 768
Prepayments (investment property) [7]	-	3 333
Other [8]	13 882	34 105
Total trade and other receivable	**1 180 922**	**315 857**

[1] The Group has received a guarantee from Hyatt related to the hotel in France for a total of 7 years in order to guarantee the percentage of occupation. Subject to the provisions set up in the Portfolio Guarantee Agreement dated 31 January 2013 between the Group and Hyatt International (Europe, Africa, Middle East) LLC, an indemnity related to the fourth quarter of the financial year 2016 is due to the Group. The current position amounts to EUR 18 418 thousand (2016: EUR 19 990 thousand), which has been paid subsequent to year end (11 January 2018).

[2] As of 31 December 2017, the Shareholders advance includes the amount of EUR 942 070 thousand corresponding to USD 1 129 824 thousand. This amount represents the claim which Regis Investment S.A. held against Prime Capital S.A. for the sale of all the shares, capital contributions and advances Regis Investment S.A. held in Constellation Hotels Holding Ltd S.C.A.. As per the Master Transfer Agreement dated 5 May 2017, its underlying Amendment Agreement dated 18 November 2017 and the related Closing Protocol dated 31 December 2017, Regis Investment S.A. assigned this claim to the Group as part of payment of the consideration for the investments which Regis Investment S.A. acquired from the Group during 2017.

[3] The advances to Ultimate shareholders (hereinafter 'UBOs') represents an amount paid to them in prior years. According to the assignment agreement entered by the Group on 2 May 2016, the outstanding liability to Séléné S.àr.l., an affiliated subsidiary company of Constellation Hotels Holding Ltd S.C.A. amounts as of 31 December 2017 to EUR 91,670 thousand (2016: EUR 247 612 thousand). The UBO has an outstanding liability of EUR 89 837 thousand as of 31 December 2017 payable to Séléné S.àr.l. and it was agreed that UBO will pay all its outstanding balance to the Group and the Group will pay the equivalent amount to the Séléné S.àr.l. During the year, the Group has received an amount of EUR 150 209 thousand (2016: EUR 46 845 thousand) from the UBOs and has paid the equivalent amount to Séléné S.àr.l..

[4] As at 31 December 2017, VAT and other tax is composed of tax receivables in France.

[5] As at 31 December 2017, receivable from other related parties represents an amount paid to the UBO of the previous shareholder Régis Investment Ltd in prior years. According to the assignment agreement entered by the Group on 2 May 2016, the UBO of Régis Investment Ltd has an outstanding liability of EUR 89 837 thousand as of 31 December 2017 payable to Séléné S.àr.l., an affiliated subsidiary company of Constellation Hotels Holding Ltd S.C.A., and it was agreed that UBO will pay all its outstanding balance to the Group and the Group will pay the equivalent amount to the Séléné S.àr.l..

[6] As at 31 December 2017, prepayments (hotel business) is mainly composed of the prepayments by the American hotels for an amount EUR 3 551 thousand, by the London hotels for an amount of EUR 2 270 thousand and by the French hotels for an amount of EUR 1 524 thousand.

[7] In 2017, the Group sold the all investment properties and does not own any investment property, therefore no prepayments (investment property) is identified as at 31 December 2017.

[8] Other is mainly composed of the prepayment related to the renovation work of the 3 hotels in portfolio of Constellation France S.A.S. in France for an amount of EUR 12 744 thousand (2016: EUR 25 272 thousand).

Note 14: Cash and cash equivalents

(in EUR '000)	31 December 2017	31 December 2016
Cash at banks and on hand	77 645	201 703
Restricted cash	15 229	9 581
Total cash and cash equivalents	**92 874**	**211 284**

The restricted cash is located in USA for a total amount of USD 12 784 thousand in 2017 (Constellation Barclay US, LLC) and USD 10 100 thousand in 2016 (Constellation Barclay US, LLC and Constellation OWS Corporation Inc.). The remaining amount is located in different European subsidiaries. This cash has been restricted for insurance and taxes reserves.

Note 15: Issued capital and reserves

15.1. Issued share capital

	31 December 2017	31 December 2016
Issued shares of EUR 100 each	1 660 310 shares	1 660 310 shares
Issued capital - (in EUR '000)	166 031	166 031

On 26 March 2012 (incorporation date) the Company issued capital for an amount of EUR 31 thousand represented by 310 shares with a par value of EUR 100 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 EUR 400 000 thousand by issuing 4 000 thousand new shares with a par value of EUR 100 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 EUR 234 000 thousand by cancelling 2 340 thousand shares and reimbursed an amount of EUR 234 000 thousand 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 EUR 166 031 thousand represented by 830 154 Ordinary A shares, 830 154 Ordinary B shares and 2 unlimited shares with a nominal value of EUR 100 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 2017 and 2016, no changes incurred in respect to the Company's share Capital.

15.2. Capital contribution without issue of shares

During the year 2017, the shareholders of the Company decided to make several capital contributions without issuing shares in order to finance the different projects of the Company (EUR 125 408 thousand). Further, they decided as well to transfer and to reimburse several capital contributions as part of the restructuring (EUR 387 422 thousand). As of 31 December 2017, the capital contributions amount to EUR 1 135 191 thousand (2016: 1 397 205 thousand).

During the year 2016, the capital contributions made by the shareholders amounted to EUR 114 million.

15.3. Legal reserve

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 for an amount EUR 676 thousand may not be distributed. Due to the fact that the Company made a loss in 2016 no further allocation has been done.

15.4. Other reserves

The other reserves of the group are composed of:

- Reserves for employee benefit plans
- Hedge accounting reserve

Note 16: Interest-bearing loans and borrowings

16.1. Summary of interest-bearing loans and borrowings

(in EUR '000)	31 Dec. 2017	31 Dec. 2016
Interest-bearing loans and borrowings - non current		
Interest-bearing loans and borrowings	2 205 470	3 527 063
Accrued interests capitalised on the loan	145 612	92 912
Total non-current interest-bearing loans and borrowings	**2 351 082**	**3 619 975**
Interest-bearing loans and borrowings – current		
Current accounts with REGIS INVESTMENT S.A.	-	77 791
Current portion of PRIME CAPITAL S.A. loans	265 500	-
Current accounts with PRIME CAPITAL S.A.[1]	59 244	77 863
Accrued interests on banks loans	770	7 890
Ultimate shareholders	2 630	2 630
Current portion of bank loan	23 271	621 240
Bank overdraft	-	198
Total of current borrowings	**351 415**	**787 612**
Total interest-bearing loans and borrowings	**2 702 497**	**4 407 587**

[1] The current accounts with the shareholder PRIME CAPITAL S.A. as at 31 December 2017 is as follows:

(in EUR '000)	31 Dec. 2017
Current accounts	62 254
Take-over of current accounts with REGIS INVESTMENT S.A.	69 245
Remaining amount of the sale consideration price	(61 304)
Repayment to previous Ultimate shareholder	(10 951)
Total current accounts with PRIME CAPITAL S.A.	**59 244**

16.2. Shareholders and third parties loans

(in EUR '000)	Interest rate	Maturity	Curr.	Nominal value in original curr.	Accrued interests as at 31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
Shareholders and third parties loans							
Regis Investment S.A.	*	31/12/2023	EUR	117 000	-	-	124 500
Prime Capital S.A.	*	31/12/2023	EUR	117 000	57 687	124 500	-
Regis Investment S.A.	*	23/07/2023	GBP	64 220	-	-	54 902
Prime Capital S.A.	*	23/07/2023	GBP	64 220	2 602	52 980	-
Regis Investment S.A.	3%	01/05/2018	GBP	139 106	-	-	133 763
Prime Capital S.A.	3%	01/05/2018	GBP	139 106	-	132 750	-
Regis Investment S.A.	7.04% - margin	26/02/2024	EUR	58 000	-	-	66 169
Regis Investment S.A.	9.00% - margin	29/09/2024	USD	31 804	-	-	38 871
Prime Capital S.A.	9.00% - margin	29/09/2024	USD	31 804	-	37 158	-
Regis Investment S.A.	*	26/05/2023	EUR	63 500	-	-	63 500
Prime Capital S.A.	*	26/05/2023	EUR	63 500	9 237	63 500	-
Regis Investment S.A.	2.75% - margin	30/06/2025	EUR	25 773	-	-	26 450
Prime Capital S.A.	2.75% - margin	30/06/2025	EUR	25 773	-	27 143	-
Prime Capital S.A.	2.75% - margin	30/06/2025	EUR	25 773	-	27 143	26 450
Regis Investment S.A.	3.00% - margin	30/06/2025	EUR	2 361	-	-	2 429
Prime Capital S.A.	3.00% - margin	30/06/2025	EUR	2 361	-	2 499	-
Prime Capital S.A.	3.00% - margin	30/06/2025	EUR	2 361	-	2 499	2 429
Regis Investment S.A.	3.00% - margin	30/06/2025	GBP	159 960	-	-	141 783
Prime Capital S.A.	3.00% - margin	30/06/2025	GBP	159 960	-	140 747	-
Prime Capital S.A.	3.00% - margin	30/06/2025	GBP	159 960	-	140 747	141 783
Prime Capital S.A.	*	31/12/2023	EUR	117 000	60 170	139 500	124 500
Prime Capital S.A.	*	23/07/2022	GBP	59 834	2 602	52 980	54 901
Prime Capital S.A.	3%	01/05/2018	GBP	139 106	-	132 750	133 763
Prime Capital S.A.	7.04% - margin	26/02/2024	EUR	58 000	-	-	66 169
Prime Capital S.A.	9.00% - margin	29/09/2024	USD	31 804	-	37 158	38 871
Prime Capital S.A.	*	26/05/2023	EUR	63 500	9 236	63 500	63 500
Prime Capital S.A.	7.00% - margin	14/12/2027	USD	24 851	-	24 514	-
Prime Capital S.A.	8.00% - margin	14/12/2022	USD	12 917	-	12 757	-
Intercontinental Hotels Corporate	NA	**	USD	240 748	-	197 865	233 333
					141 534	**1 412 690**	**1 538 066**
Less current portion							
Prime Capital S.A.	3%	01/05/2018	GBP	139 106	-	(132 750)	-
Prime Capital S.A.	3%	01/05/2018	GBP	139 106	-	(132 750)	-
					-	**(265 500)**	-
Total shareholders and third parties loans – Non current					**141 534**	**1 147 190**	**1 538 066**

* 2.5% + variable based on the performance of the Company

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

16.2.1. Non-current portion of shareholders and third parties loans

On 20 March 2017 an additional drawdown of EUR 15 000 thousand has been done by Prime Capital S.A. to its Income Sharing Loan maturing at 31 December 2023, leaving the loan as of 31 December 2017 at an amount of EUR 139 500 thousand (2016: EUR 124 500 thousand).

As per Master Transfer Agreement dated 5 May 2017 and the related Closing Protocol dated 31 December 2017, Prime Capital S.A. has acquired all the long term loans from Regis Investment S.A. except for the one maturing at 26 February 2024, which has been transferred together with the one maturing at the same date and provided by Prime Capital S.A. to Swan Island S.A..

16.2.2. Current portion of shareholders and third parties loans - current

As per Master Transfer Agreement dated 5 May 2017 and the related Closing Protocol dated 31 December 2017, Prime Capital S.A. has acquired all the short term payables from Regis Investment S.A., except the one for financing Constellation Hungary S.A., which has been transferred together with the one provided by Prime Capital S.A. for financing Constellation Hungary S.A. to Swan Island S.A..

16.3. Bank loans

(in EUR '000)	Interest rate	Maturity	Curr.	Nominal value in original curr.	Accrued interests as at 31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
Bank loans							
Loan 1*	floating rate of GBP LIBOR + margin	05/09/2017	GBP	159 719		-	159 012
Loan 2	EURIBOR 3M + margin	05/07/2024	EUR	350 000	3 646	294 099	328 436
Loan 3	EURIBOR 3M + margin	31/03/2019	EUR	65 000		61 303	62 502
Loan 4**	EURIBOR + margin	31/03/2019	USD	43 000		-	40 793
Loan 5	EURIBOR + margin	27/05/2022	EUR	142 474	432	29 221	41 568
Loan 6	EURIBOR 3M + margin	27/10/2022	GBP	386 410	770	442 036	915 571
Loan 7*	LIBOR + LIBOR margin	30/09/2019	EUR	52 000		-	51 571
Loan 8**	LIBOR + margin	31/03/2019	USD	185 000		-	174 038
Loan 9*	LIBOR 3M + margin	10/10/2017	USD	460 000		-	435 409
Loan 10*	floating notional swap	01/05/2018	GBP	210 000		-	212 204
Loan 11*	EURIBOR 3M + margin	20/05/2020	EUR	138 000		-	138 000
Loan 12**	LIBOR + margin	31/03/2019	USD	36 743		-	34 853
Loan 13	Variable	On demand	EUR	16 256		15 645	16 280
Loan 14**	LIBOR + margin	31/03/2019	USD	290 000		239 247	-
					4 848	1 081 551	2 610 237
Less current portion							
Loan 1*	floating rate of GBP LIBOR + margin	05/09/2017	GBP	159 719		-	(159 012)
Loan 3	EURIBOR 3M + margin	31/03/2019	EUR	65 000		(1 114)	(1 195)
Loan 6	EURIBOR 3M + margin	27/10/2022	GBP	386 410	(770)	(6 512)	-
Loan 9*	LIBOR + margin	10/10/2017	USD	460 000		-	(435 409)
Loan 10	floating notional swap	01/05/2018	GBP	210 000		-	(9 344)
Loan 13	Variable	On demand	EUR	16 256		(15 645)	(16 280)
					(770)	**(23 271)**	**(621 240)**
Total bank loans – Non current					**4 078**	**1 058 280**	**1 988 997**
TOTAL interest-bearing loans and borrowings – non current					**145 612**	**2 205 470**	**3 527 063**

*** Disposal of subsidiaries**

Bank loan 1, contracted by Fleet Street Investments III Ltd, had maturity date of 05/07/2017 and accordingly classified as current in 2016 period. During 2017, Fleet Street Investments III Ltd was disposed and the Group has transferred the bank loans contracted by the subsidiary according to the Closing Protocol dated 31 December 2017.

Bank loan 7, with a maturity date of 30/09/2019, is contracted by Constellation Hotels Italy Srl. During 2017, Constellation Hotels Italy Srl. was disposed and the Group has transferred the bank loans contracted by the subsidiary according to the Closing Protocol dated 31 December 2017.

Bank loan 9, contracted by Constellation OWS Properties, Inc. had a maturity date of 27/04/2017 and was therefore classified in current. During 2017, Constellation OWS Properties, Inc. was disposed and the Group has transferred the bank loans contracted by the subsidiary according to the Closing Protocol dated 31 December 2017.

Bank loan 10, with a maturity date of 01/05/2018, is contracted by Constellation Hotel (Opco) UK S.A.. During 2017, Constellation Hotel (Opco) UK S.A. was disposed and the Group has transferred the bank loans contracted by the subsidiary according to the Closing Protocol dated 31 December 2017.

Bank loan 11, with a maturity date of 20/05/2020, is contracted by Société des Hotels Intercontinental France S.A.S.. During 2017, Société des Hotels Intercontinental France S.A.S. was disposed and the Group has transferred the bank loans contracted by the subsidiary according to the Closing Protocol dated 31 December 2017.

16.3.1. Current portion of bank loans

The fair values of the borrowings are approximate equal to their carrying amount.

As at 31 December 2017, the Group has no bank overdraft.

As at 31 December 2016, the Group had bank overdraft classified in short-term loan for an amount of EUR 198 thousand at a commercial bank in Europe and is repayable on demand

16.3.2. Non-current portion of bank loans

**In 2017, Constellation Barclay US, LLC refinanced the three loans contracted (refer to loans 4, 8 and 12) and entered into a new Bank Mortgage with a commercial bank in Europe for an amount of USD 290 000 thousand with a maturity date as of 30/03/2019 (refer to loan 14).

In 2017, the loan initially contracted by Coroin Ltd amouting to GBP 788 560 thousand was renegotiated with the bank as Coroin Ltd was disposed during the year. Séléné Holding Ltd took over a part of the initial loan for an amount of GBP 386 410 thousand, keeping the characteristic of the initial loan: a maturity date as of 27/10/2022 and an interest rate of 3.50%. (refer to loan 6)

Bank loan pledges

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 11), in favour of Bank in its capacity as lender (refer to loan 5). During the year the Group repaid total amount of EUR 12 346 thousand. The Group used the proceeds of the interest payment of all the LHC Notes for an amount of EUR 7 334 thousand to reimburse the existing bank facility and an annual amortization of EUR 5 012 thousand.

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

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

Constellation Hotels France S.A.S. entered into a conventional mortgage for an amount of EUR 27 500 thousand in favour of bank and for an amount of EUR 11 000 thousand 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 S.A.S. entered into a conventional mortgage (as security) for an amount of EUR 14 850 thousand in favour of bank and for an amount of EUR 5 940 thousand in favour of another bank. Extreme effective date is 31 January 2021 (refer to loan 2)

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

Constellation Hotels France S.A.S. 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 S.A.S. 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 EUR 65 000 thousand in 2016. 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).

Société des Hôtels InterContinental France (SHIF) S.A.S. had pledged all of its issued shares in favour of bank in its capacity as lender. The pledged issued share capital of SHIF amounted to EUR 115 112 (refer to loan 11). During 2017, Société des Hotels Intercontinental France S.A.S. was disposed, consequently, the Group has been released from all its pledge assets as at 31 December 2017.

Pursuant to a share pledge agreement dated 1 May 2013, Constellation Hotels Holding pledged in favour of a bank, 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). During 2017, Constellation Hotel UK S.A. was disposed, consequently, the Group has been released from all its pledge assets as at 31 December 2017.

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, 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). During 2017, Constellation Hotel UK S.A. was disposed, consequently, the Group has been released from all its pledge assets as at 31 December 2017.

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). During 2017, Constellation Hotel UK S.A. was disposed, consequently, the Group has been released from all its pledge assets as at 31 December 2017.

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). During 2017, Constellation Hotel UK S.A. was disposed, consequently, the Group has been released from all its pledge assets as at 31 December 2017.

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).

In reference to the loan 14, the Term Loan and Security Agreement are still the same as before refinancing.

Note 17: Derivative financial instruments

The derivatives financial instrument can be described as follows:

(in EUR '000)						Fair value at			Impact on 31/12/2017		Impact on 31/12/2016	
% loan value covered	Currency	Nominal in original currency	Start date	End date	Swap	31/12/2017	31/12/2016	Total change in year	Equity (OCI)	Profit or loss	Equity (OCI)	Profit or loss
100%	EUR	52 000 000	20/10/2014	30/09/2019	IRS*		(858)	858		858	(145)	(46)
100%	GBP	159 199 045	22/06/2016	05/07/2017	IRS*	-	(824)	824		824	-	1 268
100%	EUR	189 000 000	31/01/2013	31/01/2020	IRS*	-	(10 203)	10 203	1 103	9 101	1 410	544
100%	EUR	116 000 000	30/04/2013	31/01/2020	IRS*	-	(6 262)	6 262	676	5 586	866	333
100%	EUR	45 000 000	30/04/2013	31/01/2020	IRS*	-	(2 430)	2 430	262	2 168	336	129
33%	EUR	138 000 000	11/17/2015	20/05/2020	IRS*	-	(1 548)	1 548		1 548	-	(972)
100%	EUR	179 100 000	05/07/2017	05/07/2024	IRS	(11 073)	-	(11 073)		(11 073)		
100%	EUR	104 400 000	05/07/2017	05/07/2024	IRS	(6 454)	-	(6 454)		(6 454)		
Liabilities						(17 527)	(22 125)	4 598	2 041	2 557	2 467	1 256
N/A	EUR	107 000 000	23/04/2013	23/01/2018	IRC	-	-	-		-	-	(176)
N/A	EUR	440 000 000	23/04/2013	23/01/2018	IRC	-	-	-		-	-	(481)
Assets						-	-	-	-	-	-	(657)
Net						(17 527)	(22 125)	4 598	2 041	2 557	2 467	597

* Entities sold

The derivative financial instruments assets are included in other non-current assets.

17.1. Gain and loss on derivatives

(in EUR '000)	31 December 2017	31 December 2016
Fair value at the beginning of the year	(22 125)	(25 190)
Fair value at the end of the year without taxes	(17 527)	(22 125)
Exchange difference	19	(205)
Total gains on derivative financial instruments for the year	**4 617**	**2 860**
Total (losses)/gains on derivative financial instruments acquired	**(1 274)**	**206**
Total gains on derivative financial instruments disposed	**1 255**	**-**
Total gains on derivative financial instruments	**4 598**	**3 066**

17.2. Use of the derivatives

The Group uses an interest rate swap to manage its interest rate risk exposure. The Group's principal objective in holding or issuing derivatives is to manage interests rate risk related to its liabilities. The operations of the Group are subject to the risk of interest rate risk fluctuations of the loan entered into with the Bank in 2017 and the previous years.

17.3. Cash flow hedge

The fair value adjustment is net of tax in the OCI for an amount of EUR 2 041 thousand (2016: EUR 2 467 thousand).

Fleet Street Investments Ltd III has entered into a swap agreement with a commercial bank in Europe (the "Swap Counterparty") to effectively swap the variable rate on its bank loan for a fixed rate of 1.435% per annum on 21 May 2012. The Group receives interest from the Swap Counterparty at a variable rate of 3-month GBP Libor-cap. The swap terminated on 5 July 2017 which matches the maturity of the bank loan the Group entered into with a commercial bank in Europe.

During 2017, Fleet Street Investments III Ltd was disposed and the Group does not support bank loans and swap instruments contracted by the subsidiary.

As at 31 December 2017, the swap rate agreement contracted by Société des Hotels Intercontinental France S.A.S, with a maturity date of 20/05/2020, is not supported by the Group as Société des Hotels Intercontinental France S.A.S. was disposed and the Group does not support bank loans and swap instruments contracted by the subsidiary.

In 2017, Constellation Hotels France S.A.S. entered into a swap agreement with two commercial banks in Europe. The swap terminates on 5 July 2024, which matches the maturity of the bank loans.

The variation of the fair value of the interest rate swap of EUR 4 598 thousand has been recognised in financial cost and offset with a similar gain on the bank borrowings (2016: EUR 3 066 thousand).

Derivatives are measured at fair value level 2 fair value measurements (refer to note 20.8).

Note 18: Other current payables

The Other current payable breakdown is as follows:

(in EUR '000)	31 December 2017	31 December 2016
Accrued construction cost	-	11 814
Operating provision for hotel business	5 055	7 822
Accrued severance	1 697	2 971
Accrued salaries & wages	17 680	30 052
Taxes excluding income tax	8 261	22 755
Prepayments from tenants	773	10 014
Tenant payables and deposits	4 801	4 616
Other payables to third parties	84 005	8 169
Other accrued expenses	5 028	9 495
Total other current payables	**127 300**	**107 708**

As at 31 December 2017, the other payables to third parties are mainly composed of EUR 37 232 thousand (GBP 33 034 thousand) payable to Fleet Street Investments Ltd III and the consideration amounting to EUR 24 700 already received by the Group for the sale of the shares of the indirect subsidiary. In addition they include an amount of EUR 12 660 thousand (USD 15 183 thousand) erroneously credited to the Group's bank account; this amount was transferred to the foreseen beneficiary in early 2018.

As at 31 December 2016, the other payables to third parties is mainly composed of the loan to Col Investment the former shareholder of Séléné S.àr.l. for an amount of EUR 5 460 thousand.

Note 19: Provisions

Non-current provisions as at 31 December 2017 refer to the retirement plan in France for an amount of EUR 6 882 thousand (2016: EUR 14 074 thousand) and the UK hotel business for an amount of EUR 2 851 thousand (2016: EUR 6 635 thousand). Current provisions amounting to EUR 4 574 thousand as at 31 December 2017 mainly refer to the retirement plan in France (2016: EUR 4 908 thousand).

Note 20: Financial instruments

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, shareholders loans, 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 and receivables, bonds, trade and other receivables, and cash at banks 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.

20.1. 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 comprise 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 2017 and 2016.

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 2017.

20.2. 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 2017, after taking into account the effect of interest rate swaps, 11.78% of the Group's borrowings are hedged (2016: 19.30%).

Since the floating rate interest are 23.54% 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 (2016: 30.55%). 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.

20.3. 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 EUR 22 731 thousand (2016: EUR 59 270 thousand).

20.4. 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.

20.5. Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in foreign currencies 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 EUR '000)			
Percentage of change in rate	**Effect on GBP**	**Effect on USD**	**Effect on HUF**
As at 31 December 2017	**profit before tax**	**profit before tax**	**profit before tax**
+20%	(25 073)	(15)	(10 550)
-20%	25 073	15	10 550
Percentage of change in rate			
As at 31 December 2016			
+20%	(11 332)	63	(3 107)
-20%	11 332	(63)	3 107

The movement in the before 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 EUR.

20.6. 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.

20.6.1. 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 and an American bank, the concentration risks are deemed insignificant given the good reputation of the two European banks.

20.6.2. 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.

20.6.3. 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 derivate financial instrument was to swap floating interest rate with a fixed interest rate.

20.7. 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.

31 December 2017

(in EUR '000)	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Bank borrowings (refer Note 16)	**1 081 551**	23 271	764 180	294 100
Interest on bank borrowings payable in the future	**125 432**	29 756	93 651	2 025
Shareholder loans (refer Note 16)	**1 412 690**	265 500	65 737	1 081 453
Interest on shareholder loans payable in the future	**55 724**	17 061	30 698	7 965
Other non-current liabilities	**4 118**	-	4 118	-
Trade payables	**61 492**	61 492	-	-
Other current payables (refer Note 18)	**113 465**	113 465	-	-

31 December 2016

(in EUR '000)	Total	Less than 1 year	Between 1 to 5 years	More than 5 years
Bank borrowings (refer Note 16)	**2 610 237**	621 240	1 031 860	957 137
Interest on bank borrowings payable in the future	**301 275**	65 901	203 295	32 080
Shareholder loans (refer Note 16)	**1 538 065**	-	267 526	1 270 539
Interest on shareholder loans payable in the future	**416 406**	58 769	214 102	143 535
Other non-current liabilities	**8 732**	-	8 732	-
Trade payables	**58 149**	58 149	-	-
Other current payables (refer Note 18)	**70 323**	70 323	-	-

20.8. Fair values

The fair value is 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 under current market conditions.

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 Groups financial position or to make comparisons with other companies.

The carrying amount of the Group's financial instruments including cash, loans issued, short-term accounts receivables and payables, short-term and long-term borrowings is approximately equal to their fair value.

There have been no transfers between fair value hierarchy levels during 2017 and 2016.

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

(in EUR '000)	Carrying Amount 2017	Fair Values 2017	Carrying Amount 2016	Fair Values 2016
Assets	**565 810**	**571 964**	**713 247**	**747 605**
Other non-current financial assets	445 141	451 295	459 366	493 724
Cash and cash equivalents	92 874	92 874	211 284	211 284
Trade and other receivables	27 795	27 795	42 597	42 597
Liabilities	**2 908 816**	**2 908 816**	**4 494 568**	**4 494 937**
Borrowings	1 086 399	1 086 399	2 610 237	2 618 327
Debt towards shareholder	1 616 098	1 616 098	1 696 349	1 688 628
Derivatives	17 527	17 527	22 125	22 125
Trade and other payables	188 792	188 792	165 857	165 857

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

(in EUR '000)	TOTAL	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
31 December 2017		**(level 1)**	**(level 2)**	**(level 3)**
Assets	**3 134 824**	**-**	**-**	**3 134 824**
Property, plant and equipment	2 502 253	-	-	2 502 253
Others non-current assets	451 295	-	-	451 295
Cash and cash equivalents	92 874	-	-	92 874
Trade and other receivables	27 795	-	-	27 795
Assets held for sale	60 607	-	-	60 607
Liabilities	**2 953 284**	**-**	**17 527**	**2 935 757**
Borrowings	1 086 399	-	-	1 086 399
Shareholder loans	1 616 098	-	-	1 616 098
Derivatives	17 527	-	17 527	-
Trade and other payables	188 792	-	-	188 792
Liabilities directly associated with the assets held for sale	44 468	-	-	44 468

(in EUR '000)	TOTAL	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
31 December 2016		(level 1)	(level 2)	(level 3)
Assets	**1 841 683**	-	-	**1 841 683**
Investment properties	1 128 436	-	-	1 128 436
Others non-current assets	459 366	-	-	459 366
Cash and cash equivalents	211 284	-	-	211 284
Trade and other receivables	42 597	-	-	42 597
Liabilities	**4 494 568**	-	**22 125**	**4 472 443**
Borrowings	2 610 237	-	-	2 610 237
Shareholder loans	1 696 349	-	-	1 696 349
Derivatives	22 125	-	22 125	-
Trade and other payables	165 857	-	-	165 857

Note 21: Disposal group held for sale

On 5 May 2017, the Group announced the decision of its Board of Managers to potentially sell Société Palais de la Mediterannée, a wholly indirectly owned subsidiary. On 31 December 2017, the shareholders of the Company approved the plan to sell. The sale of Société Palais de la Mediterannée expected to be completed within a year from the reporting date. At 31 December 2017, Société Palais de la Mediterannée was classified as a disposal group held for sale. Société Palais de la Mediterannée is active in the hotel business and is the beneficial owner of the hotel Palais de la Mediternanée in France.

The major classes of assets and liabilities of Société Palais de la Mediterannée classified as held for sale as at 31 December are, as follows:

(in EUR '000)	31 December 2017
Assets	
Intangible assets	9 050
Property, plant and equipment	44 775
Other fixed assets	45
Deferred tax asset	184
Debtors	2 001
Cash and short-term deposits	4 552
Assets held for sale	**60 607**
Liabilities	
Creditors	7 153
Derviatives	1 948
Deferred tax liability	280
Interest-bearing liabilities	35 087
Liabilities directly associated with assets held for sale	**44 468**
Net assets directly associated with disposal group	**16 139**

Immediately before the classification of Société Palais de la Mediterannée as held for sale, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, no write-down was recognised on 5 May 2017 as the carrying amount of the disposal group did not fall below its fair value less costs to sell. Fair value measurement disclosures are provided in Note 20.

As at 31 December 2017, there was no write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

Note 22: Income tax

The major components of income tax expense for the years end 31 December 2017 and 2016 are:

22.1. Current income tax

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Income tax		
Current income tax	(2 294)	(5 735)
Sub-total, current income tax	**(2 294)**	**(5 735)**
Deferred tax		
Relating to origination and reversal of temporary differences	13 267	51 043
Sub-total, deferred tax	**13 267**	**51 043**
Income tax expense credit reported in the statement of profit or loss	**10 973**	**45 308**

22.2. Reconciliation of income tax expense and the accounting profit multiplied by Luxembourg domestic tax rate for 2017 and 2016

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Accounting loss before income tax	***(264 159)***	***(120 186)***
At Luxembourg's statutory income tax rate of 27.08% (2016: 29.22%)	71 534	35 118
Difference in tax rate*	23 065	62 068
Tax-exempt income	116 067	(1 732)
Effect of unrecognized losses carried forward	(168 356)	(29 156)
Permanent differences	(31 337)	(20 990)
Income tax expense credit reported in the statement of profit or loss	**10 973**	**45 308**

Effective tax rate

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Income tax expense credit	10 973	45 308
Net loss	(253 186)	(74 877)
Group effective tax rate	**-4.15%**	**-41.48%**

* The change in tax rate is related to the decrease in the Luxembourgish tax from 29.22% to 27.08%, the US tax rate from 46.06% to 33.75% and to disposal of certain subsidiaries located in different jurisdictions refer to Note 4).

22.3. Detail of the deferred tax

Deferred taxes are related to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
(in EUR '000)	31 Dec. 2017	31 Dec. 2016	For the year ended 31 Dec. 2017	For the year ended 31 Dec. 2016
Timing differences for tax purposes	2 853	5 022		
Revaluation of tangible assets	(313 445)	(374 282)	(17 153)	(20 714)
Revaluations of investment properties to fair value	-	(661)	-	(15 793)
Pension	2 629	3 829	530	6
Revaluation of financial instruments at fair value	4 869	6 244	(551)	1 161
Management contract	(6 416)		72	
Assets held for sale	96		-	
Other	(2 068)	(31 975)	(3 219)	(4 878)
Effect of tax rate difference		-	(320)	(2 762)
Tax loss carried forward	15 753	56 699	7 375	(8 063)
Deferred tax income			**(13 266)**	**(51 043)**
Net deferred tax liabilities	**(295 729)**	**(335 124)**		
Reputed as assets	**57 468**	**59 449**		
Reputed as liabilities	**(353 197)**	**(394 573)**		

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.

Note 23: Revenue

The total revenue for the year is broken down as follows:

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Rental income	24 788	30 532
Income from hotel operations	545 732	557 779
Total revenue	**570 520**	**588 311**

During the year 2017, the Group activities were located in United Kingdom, United States of America, France, Greece and Italy as follows:

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
United Kingdom	249 295	279 947
France	180 163	199 255
Italy	51 119	59 453
United States of America	79 963	40 956
Greece	9 980	8 700
Total revenue	**570 520**	**588 311**

Note 24: Operating expense

The operating expense for the year are detailed as follows:

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Purchase of goods and services	129 237	135 513
Distribution and marketing	11 174	11 502
Administration expenses	38 211	28 871
Operating leases	4 076	4 697
Bad debt allowances (refer to Note 12)	46	138
Amortisation of intangible assets	3 842	4 811
Depreciation of tangible assets	56 728	56 839
Impairment of intangible assets	201 944	-
Write-off of tangible assets	30 341	37 484
Impairment of tangible assets	64 500	-
Impairment of receivables	-	3 249
Insurance	5 113	4 991
Staff costs	221 723	223 371
Real estate taxes	26 089	26 274
Utilities	6 214	6 366
Repairs & maintenance	17 280	16 101
Royalties	4 569	4 014
Other	9 526	21 128
Total operating expense	**830 613**	**585 349**

Note 25: Financial income and expense

25.1. Financial income

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest and similar income*	16 459	25 863
Net foreign exchange gain	102 007	39 921
Total financial income	**118 466**	**65 784**

*Interest and similar income include the interest income on bonds (refer to Note 11) for an amount of EUR 9 256 thousand (2016: EUR 10 362 thousand)

25.2. Financial expense

(in EUR '000)	For the year ended 31 December 2017	For the year ended 31 December 2016
Changes in fair value of derivative financial instruments	(2 557)	(597)
Interest on bank loan and similar expense	(131 129)	(93 945)
Interest on shareholders loans	(89 628)	(64 152)
Other financial charges	(20 772)	(10 107)
Total financial expense	**(244 086)**	**(168 801)**

Note 26: Other operating income

The other operating income is mainly composed of EUR 72 171 thousand related to the guaranty agreement provided by Hyatt International to Constellation Hotel Holding Ltd S.à r.l. (2016: EUR 62 210 thousand).

Note 27: Off-Balance sheet commitments

Off-balance sheet commitments (not discounted) given at 31 December 2017 break down as follows:

(in EUR '000)	31 December 2017	31 December 2016
Guarantees	30 000	30 000
TOTAL	30 000	30 000

A European bank issued upon the instruction of the Group a guarantee of EUR 30 million to the banks that provided financing to the group companies (Société du Louvre-Lafayette S.A.S., Concorde Martinez S.A.S. and Société du Palais de la Méditerranée S.A.S.).

Note 28: Related party transactions

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

- All fully consolidated companies and all associated companies accounted for using the equity method (refer to Note 4);
- 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 exercises significant influence over the Group (refer to Note 4);
- Fully consolidated companies by a company that exercise significant influence over the Group.
- No management remuneration was paid in 2017 and 2016. A consultancy fee of EUR 2 million has been paid to Al Mirqab capital for the year ended 31 December 2017 (2016: EUR 2 million)

All loans received from shareholders in any year and all related interest are related party transactions. (refer to note 16).

Note 29: Subsequent events

According to the Master Transfer Agreement dated 5 May 2017 and the related Closing Protocol dated 31 December 2017, the Group undertook to Regis Investment S.A. to take all the necessary steps and actions in order to complete the transfer of its indirect subsidiary Société du Palais de la Méditerranée by end of June 2018. The agreed transfer price, already received by the Group amounts to EUR 24 700 thousand.

Further, on 6 April 2018 the Group acquired from Cornerstone Commercial Properties Holdings S.A., a Luxembourg public limited liability Group, 580 932 shares representing 100% of the Luxembourg public limited liability Group Stellar Hotels S.A. for a total consideration of EUR 57 993 thousand. Stellar Hotels S.A. is operating exclusively in hotel business. Further, at the same date the Group acquired also from Cornerstone Commercial Properties Holdings S.A. all the related claims and liabilities regarding Stellar Hotels S.A., leaving at the end a receivable from Cornerstone Commercial Properties Holdings S.A. of GBP 1 222 thousand towards the Group.

On 11 April 2018, LOV Group proceeded to an early voluntary repayment of the outstanding Senior Tranche A Notes LOV HOTEL COLLECTION, Senior Tranche B Notes LOV HOTEL COLLECTION and Mezzanine Notes LOV HOTEL COLLECTION for a total amount of EUR 174 756 thousand (principal & accrued interest). Out of those proceeds, CHH Finance S.A. reimbursed the entire bank facility for a total amount of EUR 29 575 thousand (principal & accrued interest). Consequently, as from that day on, CHH Finance S.A. has been released from all its commitments and contingencies towards the bank.

On April 11th, 2018, Constellation Surrey NY LLC, a direct subsidiary of Constellation Surrey Holding S.A., acquired a loan a nominal value of USD 45 000 000, initially made by CIBC Inc. to 20 East 76th Street Co LLC, and is secured by the real property known as the Surrey Hotel located in New York.