COMPANY ANNOUNCEMENT

ISLAND HOTELS
GROUP HOLDINGS PLC

Date of Announcement: **21 February 2014**
Reference: **50/2014**

The following is a Company Announcement issued by Island Hotels Group Holdings plc pursuant to the Malta Financial Services Authority Listing Rules.

Quote

The Board of Directors of Island Hotels Group Holdings p.l.c. (the Company) has today, the 21 February 2014, approved the audited financial statements for the financial year ended 31 October 2013. The Board resolved that these audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting which is scheduled to be held on 21 May 2014. The said audited financial statements will be available for viewing on the Company's website www.islandhotels.com or at the Company's registered address at "The Coastline Hotel", Salina Bay, Salina from the 28 February 2014. A preliminary statement of annual results is being attached herewith in terms of the Listing Rules.

The Board of Directors do not recommend the payment of a dividend for the year ended 31 October 2013.

Shareholders on the Company's share register at the Central Securities Depository of the Malta Stock Exchange as at close of business on Monday 21 April 2014 (this will include trades undertaken up to and including Monday 14 April 2014), will receive notice of the Annual General Meeting, together with the Financial Statements for the financial year ended 31 October 2013.

Unquote

Signed:

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Kenneth Abela
Company Secretary

Statements of profit or loss

Year ended 31 October 2013

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

Statements of profit or loss and other comprehensive income

Year ended 31 October 2013

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

Statements of financial position

31 October 2013

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

Statements of financial position (continued)

31 October 2013

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

Statement of changes in equity - Group

Year ended 31 October 2013

Group

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

Statement of changes in equity – Holding company
Year ended 31 October 2013

Holding company

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

Statements of cash flows

Year ended 31 October 2013

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

Statements of cash flows (continued)

Year ended 31 October 2013

	Group		Holding	
	2013	2012	**2013**	2012
	€	€	**€**	€
Net movement in cash and cash equivalents	**(115,536)**	(602,128)	**22,765**	559,845
Cash and cash equivalents at the beginning of the year	**(10,267,390)**	(9,677,495)	**-**	(559,845)
Effect of foreign exchange rate changes	**(20,358)**	12,233	**-**	-
Cash and cash equivalents at the end of the year	**(10,403,284)**	(10,267,390)	**22,765**	-

Commentary on Financial Statements for year ended 31 October 2013

Background

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

Review of Business

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

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

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

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

In terms of Listing Rule 5.54.6, the financial information of the company and the group for the year ended 31 October 2013 contained within this company announcement has been agreed with the group's auditors and has been extracted from the audited financial statements of the group which were approved by the board of directors on the 21 February 2014.

- **END -**