



INTERNATIONAL HOTEL INVESTMENTS p.l.c.

SHAREHOLDERS' AND BONDHOLDERS' CIRCULAR

DATED 7 SEPTEMBER 2017

This circular is being issued by International Hotel Investments p.l.c. (C 26136) with registered office at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta (the “**Company**”) pursuant to the requirements of the provisions of Chapter 6 of the Listing Rules in connection with the Merger proposed and approved in virtue of a Directors’ resolution taken by the Directors of the Company on 14 August 2017.

IMPORTANT INFORMATION

THIS IS AN IMPORTANT DOCUMENT.

THE DIRECTORS HAVE AGREED ON THE ISSUES AND MATTERS DESCRIBED HEREIN BY MEANS OF A RESOLUTION IN WRITING. IN THE EVENT THAT SHAREHOLDERS AND BONDHOLDERS RECEIVING THIS DOCUMENT ARE IN ANY DOUBT AS TO THE IMPORT OF THIS DOCUMENT OR AS TO ANY OF THE CONTENT HEREIN, THEY ARE URGED TO CONSULT THEIR INDEPENDENT PROFESSIONAL ADVISERS.

All the Directors of the Company, whose names appear on page 7, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Directors who have taken all reasonable care to ensure that such is the case, the information contained in the Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

1. INTRODUCTION

This circular (the “**Circular**”) contains information about the resolution of the Directors (the “**Directors Resolution**”) that was taken by the Directors on 14 August 2017. By means of the Directors Resolution, the Directors resolved to merge Island Hotels Group Holdings p.l.c. (“**IHGH**”) having company registration number C 44855 and having its registered office at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta (the “**Merger**”) with the Company. The Company currently holds all the shares but one in IHGH and the Merger is being made to only retain one entity listed on the Malta Stock Exchange, that being the Company.

The Circular is being dispatched to all Shareholders and Bondholders of the Company, as at 30 August 2017, to enable them to understand better the nature of the Merger, and principal commercial terms thereof, and to provide other necessary information about the Merger to the Shareholders and Bondholders. It also intends on setting out any potential effects on the earnings, assets, liabilities and trading prospects of the Company, once the Merger is executed, pursuant to that resolved by the Directors, and the provisions of the Draft Terms of Merger.

This Circular is being dispatched in compliance with the requirements of Listing Rule 6.2 of the Listing Authority (the “**Listing Rules**”), and complies therewith in respect of content and form.

Where any or all of the Shares or Bonds have been sold or transferred by the recipients of this Circular, then the Circular and any other relevant documents should be passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

2. COMMERCIAL TERMS

On 14 August 2017, the Directors of the Company resolved to approve the Merger of only retaining one entity listed on the Malta Stock Exchange, that being the Company.

No cash payment shall be made to the shareholders of the Company.

3. LEGAL CONSIDERATIONS

- 3.1 Provided that all commercial and legal conditions are met, the Merger shall become effective upon the lapse of a three (3) month period from the date of publication, by the Registrar of Companies (the “**ROC**”), of the applicable shareholders’ resolutions.
- 3.2 Creditor(s) of both the Company, and IHGH, including Bondholders, whose debt existed prior to such publication as outlined above, shall benefit from the rights referred to in Article 351 of the Companies Act (Cap 386 of the Laws of Malta).
- 3.3 There are no legal or arbitration proceedings which may have a significant effect on the Merger or on the financial position of the Company and its group.

4. FINANCIAL CONSIDERATIONS

4.1 The key figures that follow summarise the financial condition of IHI and cover a period of three financial years and also show the comparative interim positions as at 30 June 2016 and 2017. Additional information and explanatory notes relating to the content of the financial information presented below may be accessed at <http://www.ihiplc.com/investors/financial-reports>.

Historical financial information

Consolidated statements of financial position

	31 Dec 14 €'000	31 Dec 15 €'000	31 Dec 16 €'000
Assets			
<i>Non-current</i>	961,305	1,091,247	1,119,397
<i>Current</i>	50,735	68,396	100,857
Total assets	1,012,040	1,159,643	1,220,254
Equity and liabilities			
Equity			
<i>Total attributable to owners</i>	594,184	607,690	646,224
Non-controlling interest	630	598	598
Total equity	594,814	608,288	646,822
Liabilities			
<i>Non-current</i>	354,402	451,356	487,851
<i>Current</i>	62,824	99,999	85,581
Total liabilities	417,226	551,355	573,432
Total equity and liabilities	1,012,040	1,159,643	1,218,254

Consolidated statements of comprehensive income

	31 Dec 14 €'000	31 Dec 15 €'000	31 Dec 16 €'000
Revenue	116,379	134,074	157,901
Direct costs	(61,147)	(70,326)	(87,519)
Gross profit	55,232	63,748	70,382
Other operating costs	(26,382)	(31,631)	(32,597)
EBITDA	28,850	32,117	37,785
Depreciation and amortization	(18,390)	(20,093)	(23,307)
Other losses arising on property, plant and equipment	–	–	(1,044)
Movement in fair value of investment property	(15,391)	193	(19,712)
Net impairment of hotel properties	2,081	11,639	2,960
Movement in reimbursement assets	(879)	551	(210)
Results from operating activities	(3,729)	24,407	(3,528)
Share of (loss) profit from equity accounted investments	(14,537)	(2,557)	1,661
Net finance costs	(12,592)	(13,728)	(14,813)
Exchange differences on borrowings	(443)	(8,471)	9,917
Net fair value loss on interest rate swaps	1,466	–	–
Profit / (loss) before tax	(29,835)	(349)	(6,763)
Taxation	13,549	(3,398)	(895)
Profit / (loss) for the year	(16,286)	(3,747)	(7,658)
Non-controlling interest	20	(19)	–
Profit / (loss) attributable to parent company	(16,266)	(3,728)	(7,658)
Profit / (loss) for the year	(16,286)	(3,747)	(7,658)
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss</i>	(5,688)	14,450	35,437
<i>Items that may be subsequently reclassified to profit or loss</i>	6,285	(8,261)	6,350
<i>Items reclassified to profit or loss</i>	–	–	(1,223)
Other comprehensive income for the year, net of tax	597	14,896	40,564
Total comprehensive income for the year	(15,689)	11,149	32,906
Attributable			
– Owners of IHI	(15,669)	11,181	32,906
– Non-controlling interests	(20)	(32)	–
	(15,689)	11,149	32,906

Consolidated cash flow statements

	31 Dec 14 €'000	31 Dec 15 €'000	31 Dec 16 €'000
Net cash from operating activities	29,986	29,502	27,635
Net cash from investing activities	(4,160)	(28,555)	(29,099)
Net cash from financing activities	(13,467)	(7,133)	10,632
Net movement in cash and cash equivalents	12,359	(6,186)	9,168
Cash and cash equivalents at beginning of year	5,491	17,850	11,664
Cash and cash equivalents at end of year	17,850	11,664	20,832

Interim financial information

Interim consolidated statement of financial position

	31 Dec 16 €'000	30 Jun 17 €'000
Assets		
<i>Non-current</i>	1,119,397	1,440,307
<i>Current</i>	100,857	139,431
Total assets	1,220,254	1,579,738
Equity and liabilities		
Equity		
<i>Total attributable to owners</i>	646,224	657,523
Non-controlling interest	598	191,856
Total equity	646,822	849,379
Liabilities		
<i>Non-current</i>	487,851	633,158
<i>Current</i>	85,581	97,201
Total liabilities	573,432	730,359
Total equity and liabilities	1,218,254	1,579,738

Interim consolidated statements of comprehensive income

	30 Jun 2016 6 months €'000	30 Jun 2017 6 months €'000
Revenue	70,758	115,284
Direct costs	(39,649)	(64,898)
Gross profit	31,109	50,386
Other operating costs	(15,975)	(23,361)
EBITDA	15,134	27,025
Depreciation and amortisation	(10,943)	(16,887)
Movement in reimbursement assets	(105)	(105)
Results from operating activities	4,086	10,033
Share of (loss) profit from equity accounted investments	97	957
Net finance costs	(7,645)	(10,403)
Exchange differences on borrowings	5,318	(2,888)
Net fair value loss on interest rate swaps	–	–
Profit/ (loss) before tax	1,856	(2,301)
Taxation	77	435
Profit / (loss) for the period	1,933	(1,866)
Non-controlling interest	–	1,402
Profit / (loss) attributable to parent company	1,953	(464)
Profit / (loss) for the period	1,933	(1,866)
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>	–	23,997
<i>Items that may be subsequently reclassified to profit or loss</i>	(3,898)	(18,069)
Other comprehensive income for the period, net of tax	(3,898)	5,928
Total comprehensive income for the period	(1,965)	4,062
Attributable		
– Owners of IHI	(1,965)	11,298
– Non-controlling interests	–	(7,236)
	(1,965)	4,062

Interim consolidated cash flow statements

	30 Jun 2016 6 months €'000	30 Jun 2017 6 months €'000
Net cash from operating activities	12,679	22,631
Net cash from investing activities	(4,984)	5,156
Net cash from financing activities	(13,173)	3,849
Net movement in cash and cash equivalents	(5,478)	31,636
Cash and cash equivalents at beginning of period	11,664	20,832
Cash and cash equivalents at end of period	6,186	52,468

- 4.2 The execution of the Merger will not bring about any significant changes to the financial or trading position of the Company and the Group as it stood at the end of the last financial year for which audited financial statements have been published nor for the interim statements.

5. OTHER PRACTICAL CONSIDERATIONS

- 5.1 As previously affirmed in Section 1 of this Circular, the Company currently holds over 99.9% of the issued share capital of IHGH. Once the Merger becomes effective, the other shareholder of IHGH, i.e. Five Star Hotels Limited (“**FSH Ltd**”), a limited liability company registered under the laws of Malta with Company Registration number C 4848 and having its registered office at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta, which in itself is wholly owned by the Company save for one share, will renounce to any consideration, whether in kind or in cash.
- 5.2 There is no person who currently owns 5% or more of the capital of the Company. As a result of the Merger, no person will own 5% or more of the capital of the Company.
- 5.3 The execution of the Merger will not result in the procurement of any interest or the enjoyment of any advantage, including any shares that may be issued, in favour of any Director or any person connected thereto who may have an interest in the merger.
- 5.4 The intention of the Company and IHGH, as well as the long term commercial justification thereof, as previously affirmed in Section 1 of this Circular, is solely to retain one entity listed on the Malta Stock Exchange, that being the Company. Furthermore, the Company does not intend on introducing any major changes to the running of the Company subsequent to the Merger and shall ensure the continued employment of the existing employees of both the Company and IHGH.
- 5.5 Article 359(1) of the Companies Act provides that the general meeting of the Company need not approve the Merger, provided that, inter alia, the Company’s shareholders holding at least five per cent (5%) of the issued share capital carrying the right to vote at general meetings of the Company are entitled to require that a general meeting of the Company be called to decide whether to approve the Merger.

6. EFFECTS OF THE MERGER

- 6.1 As from 1 July 2015, the performance of IHGH has been consolidated in the IHI Consolidated Financial Statements and, therefore, the Merger is not expected to have any significant impact on the consolidated position of the Company or its Group.
- 6.2 The total emoluments receivable by the Directors, whose names appear hereunder, are not expected to change or be varied as a result of the merger. The Directors of IHGH will cease to receive emoluments once the Merger becomes effective.

7. DOCUMENTS AVAILABLE FOR INSPECTION

- 7.1 The Memorandum and Articles of Association of the Company, as well as the last Annual Financial Report and the half-yearly financial report of the Company, will be available for inspection at the Company’s registered office, at 22, Europa Centre, John Lopez Street, Floriana, FRN 1400, Malta, for fourteen (14) days from the date of publication of this Circular.

The Directors of the Company are:

1. Abdalnaser Ahmida;
2. Khaled Algonsel;
3. Abuagila Almahdi;
4. Hamad Buamim;
5. Alfred Pisani;
6. Joseph Pisani;
7. Joseph J. Vella;
8. Frank Xerri De Caro;
9. Douraid Zaghouni;
10. Winston V. Zahra.



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