Corinthia Finance p.l.c.

Report & Financial Statements

31 December 2014

Company registration number: C 25104

Contents

Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 31 December 2014.

Directors

The following have served as directors of the Company during the year under review:

Mr Joseph Fenech (Chairman)
Mr Frank Xerri de Caro
Dr Joseph J Vella
Mr Anthony R Curmi

In accordance with the Company's Articles of Association, the present directors remain in office.

Principal activities

The principal activity of the Company is to finance the ownership, development, operation and financing of hotels, resorts and leisure facilities, forming part of the Corinthia Group of Companies, of which it is a member.

Review of the business development

During the year under review, the Company registered a profit of €26,384 plus gains in other comprehensive income of €148,704 for a total comprehensive income of €175,088. The Company's financial position as at 31 December 2014 is set out on page 13 of the Financial Statements.

Going concern

As required by Listing Rule 5.62 issued by the Listing Authority, upon due consideration of the Company's state of affairs, capital adequacy and solvency, the directors confirm the Company's ability to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis.

Principal risks and uncertainties faced by the company

The Company is essentially a special purpose vehicle set up for financing transactions of the Corinthia Group of Companies. It raised such finance mainly through the issue of bonds, which are quoted on the Malta Stock Exchange and guaranteed by Corinthia Palace Hotel Company Limited, to whom the proceeds from their issue have been advanced.

Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Disclosure of information to the auditor

At the date of making this report, the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution proposing the appointment of the auditor of the Company will be submitted at the forthcoming Annual General Meeting.

By order of the board

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Registered office:

22, Europa Centre
Floriana FRN 1400
Malta

27 April 2015

Statement by the directors on the financial statements and other information included in the annual report

Pursuant to Listing Rule 5.68, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board of directors on 27 April 2015 by:

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Directors' statement of compliance with the Code of Principles Of Good Corporate Governance

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditor.

The board of directors (the "directors" or the "board") of Corinthia Finance p.l.c. ("CF" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

The board of directors is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the Company in pursuing its investment strategies.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

Principle 2: Chairman and chief executive

The roles of Chairman and Chief Executive Officer are both carried out by Mr Joseph Fenech. Although the Code recommends that the roles of Chairman and Chief Executive Officer are kept separate, the directors believe that, in view of the particular circumstances of the Company, Mr Fenech should occupy both positions.

In terms of Principle 3.1, which calls for the appointment of a senior independent director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the board has appointed Dr Joseph J. Vella as the indicated senior independent director.

Principle 3: Composition of the board

The board of directors consists of one executive director who also acts as Chairman and three non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive director and his performance as well as to analyse any investment opportunities that are proposed by the executive director. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest of the executive director, which may exist as a result of his dual role as executive director of the Company and his role as officer of CF's parent company, Corinthia Palace Hotel Company Limited ("CPHCL") and its other subsidiaries.

The board believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

The board is made up as follows:

Executive director	*Date of first appointment*
Mr Joseph Fenech	9 September 1999

Non-executive directors	*Date of first appointment*
Dr Joseph J Vella	9 September 1999
Mr Frank Xerri de Caro	25 April 2005
Mr Anthony R Curmi	6 August 2007

Mr Alfred Fabri acts as secretary to the board of directors.

In accordance with the requirements of the Articles of Association, the term of office of the directors lapsed at the Annual General Meeting held on 27 April 2015, at which date they were re-appointed for a further term.

Principle 5: Board meetings

The board met three times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

Mr Joseph Fenech	3
Dr Joseph J Vella	3
Mr Frank Xerri de Caro	3
Mr Anthony R Curmi	3

Principle 6: Information and professional development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle 8: Committees

Audit committee

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audit and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditor.

During the year under review, the committee met four times. The internal and external auditors were invited to attend these meetings.

Mr Frank Xerri de Caro, a non-executive director, acts as Chairman, whilst Mr Joseph Fenech, Dr Joseph J. Vella and Mr Anthony R. Curmi act as members. The Company Secretary, Mr Alfred Fabri acts as secretary to the committee.

The board of directors, in terms of Listing Rule 5.118, has indicated Mr Anthony R Curmi as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field.

The audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation.

The directors are fully aware that the close association of the Company with CPHCL and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The audit committee ensures that transactions entered into with related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company and its subsidiaries accurately report all related party transactions in the notes to the financial statements.

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its bondholders and investors.

Principle 10: Institutional shareholders

The Company ensures that it is constantly in close touch with its principal institutional shareholders.

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover, they are notified of blackout periods, prior to the issue of the Company's interim and annual financial information, during which they may not trade in the Company's shares.

Principle 12: Corporate social responsibility

The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR). This responsibility is carried out by its parent company, CPHCL.

NON-COMPLIANCE WITH THE CODE

Principle 7: Evaluation of the board's performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Approved by the board of directors on 27 April 2015 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Dr Joseph J Vella
Director

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance with parent company

The Company has advanced amounts borrowed by way of bonds listed on the Malta Stock Exchange to its parent company, Corinthia Palace Hotel Company Limited. The terms of the relevant agreement are set out in the Company's financial statements.

Pursuant to Listing Rule 5.70.2

Company secretary and registered office

Alfred Fabri
22 Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 21 233 141

Signed on behalf of the board of directors on 27 April 2015 by:

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Remuneration statement

Due to the nature of the Company it has not been considered necessary to appoint a remuneration committee.

Directors' fees

The directors' fees for 2014, including those for membership of board committee, are:

	€
Mr Joseph Fenech	6,000
Dr Joseph J Vella	5,000
Mr Frank Xerri de Caro	5,000
Mr Anthony R Curmi	5,000

The foregoing amounts are all fixed remuneration. There are no variable remuneration considerations nor share options.

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Independent auditor's report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listing Rules 5.94 and 5.97 issued by the Listing Authority, require the directors of Corinthia Finance p.l.c. (the "company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "statement of compliance"), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as auditor of the company, is laid down by Listing Rule 5.98, which requires us to include a report on this statement of compliance.

We read the statement of compliance and consider whether it is consistent with the audited financial statements. We consider the implications on our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the statement of compliance covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures, nor on the ability of the company to continue in operational existence.

In our opinion, the accompanying statement of compliance provides the disclosures required by Listing Rule 5.97 issued by the Listing Authority.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

27 April 2015

Report by custodian

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Report of the Custodian

To the Malta Financial Services Authority

On compliance of Corinthia Finance p.l.c. (the "Issuer") with the requirements of the Sinking Fund for the year ended 31 December 2014

In accordance with section 5.18 of the Prospectus dated 27 February 2012 relating to €7.5 million 6% Corinthia Finance p.l.c. Bonds 2019-2022 (the "**Prospectus**"), the Issuer set up the Corinthia Finance p.l.c. Sinking Fund Reserve (the "**Sinking Fund**") in December 2014. Charts Investment Management Service Limited is the appointed Custodian to hold and administer the assets of the Sinking Fund (the "**Custodian**").

We, in our capacity as Custodian, have carried out procedures to enable us to report whether, in our opinion:

- The Issuer fulfilled its obligation to make a yearly payment to the Sinking Fund;
- The assets within the Sinking Fund have been managed within the parameters set in the Prospectus.

During the year ended 31 December 2014, the Issuer transferred to the Sinking Fund the amount of €105,000.

In our opinion,

- The amount transferred to the Sinking Fund during the year ended 31 December 2014 is in agreement with the terms of section 5.18 of the Prospectus;
- The Sinking Fund proceeds have been properly applied in accordance with the Prospectus.

Wilfred Mallia (Director) for and on behalf of
Charts Investment Management Service Limited
as Custodian

2 February 2015

Report by sinking fund trustee

Bank of Valletta
Trustee Services Unit
58 Zachary Street, Valletta VLT 1130 – Malta
T: (356) 2275 1565 F: (356) 2275 7383
E: customercare@bov.com **bov.com**

The Listing Authority
Malta Financial Services Authority
Notabile Road
Attard BKR3000

16th March 2015

Statement issued in terms of the Listing Authority Policy on Sinking Funds:

Corinthia Finance Plc 6.25% €40,000,000 Bonds 2016-2019 Sinking Fund

This is to confirm that, Bank of Valletta Plc is the appointed Trustee of the above mentioned Sinking Fund that was originally set up by Corinthia Finance Plc in December 2011 in connection with the above Bond.

As at 31st December 2014, the value of this Sinking fund was €2,339,523, net of the redemption of Bonds from the same Issue having a nominal value of €72,400. This amount is in line with the investment parameters stipulated in the prospectus governing this bond and the policy guidelines established by the Listing Authority.

Mr. Steven Schranz
f/ BOV Plc as Trustee

Mr. Antoine Attard
f/BOV Plc as Trustee

Statement of total comprehensive income

	Notes	2014	2013
		€	€
Finance income	5	3,019,367	3,011,080
Finance costs	5	(2,947,205)	(2,950,505)
Administrative expenses		(41,104)	(40,463)
Profit before tax	6	**31,058**	**20,112**
Tax expense	7	(4,674)	(4,703)
Profit for the year		**26,384**	**15,409**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
- current year gains		148,704	7,650
Other comprehensive income for the year		**148,704**	**7,650**
Total comprehensive income for the year		**175,088**	**23,059**
Earnings per share	8	**10.5c**	**6.1c**

Statement of financial position

	Notes	2014	2013
		€	€
Assets			
Non-current			
Loans owed by parent company	9	45,170,000	46,310,000
Other long-term financial assets	10	2,444,524	1,168,344
		47,614,524	**47,478,344**
Current			
Receivables	11	1,718,177	2,081,749
Cash and cash equivalents	12	15,212	15,841
		1,733,389	**2,097,590**
Total assets		**49,347,913**	**49,575,934**
Equity			
Share capital	13	250,000	250,000
Investment revaluation reserve		156,354	7,650
Retained earnings		105,653	79,269
Total equity		**512,007**	**336,919**
Liabilities			
Non-current			
Bonds in issue	14	47,427,600	47,467,600
Deferred tax liability		2,363	375
		47,429,963	**47,467,975**
Current			
Payables	15	**1,405,943**	**1,771,040**
Total liabilities		**48,835,906**	**49,239,015**
Total equity and liabilities		**49,347,913**	**49,575,934**

The financial statements on pages 12 to 27 were approved by the board of directors, authorised for issue on 27 April 2015 and signed on its behalf by:

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Statement of changes in equity

	Share capital €	Investment revaluation reserve €	Retained earnings €	Total equity €
At 1 January 2013	250,000	-	63,860	313,860
Profit for the year	-	-	15,409	15,409
Other comprehensive income	-	7,650	-	7,650
Total comprehensive income for the year	-	7,650	15,409	23,059
At 31 December 2013	**250,000**	**7,650**	**79,269**	**336,919**
At 1 January 2014	250,000	7,650	79,269	336,919
Profit for the year	-	-	26,384	26,384
Other comprehensive income	-	148,704	-	148,704
Total comprehensive income for the year	-	148,704	26,384	175,088
At 31 December 2014	**250,000**	**156,354**	**105,653**	**512,007**

Statement of cash flows

	Notes	2014	2013
		€	€
Operating activities			
Profit before tax		31,058	20,112
Adjustments	16	(72,162)	(60,575)
Net changes in working capital	16	20,566	(15,540)
Tax refunded		-	2,381
Net cash used in operating activities		**(20,538)**	**(53,622)**
Investing activities			
Proceeds from repayment of loans owed by parent company		1,140,000	790,000
Interest received		2,967,794	2,989,036
Net cash from investing activities		**4,107,794**	**3,779,036**
Financing activities			
Deposits into bond redemption sinking funds		(1,140,000)	(790,000)
Interest paid		(2,947,885)	(2,949,241)
Net cash used in financing activities		**(4,087,885)**	**(3,739,241)**
Net change in cash and cash equivalents		**(629)**	**(13,827)**
Cash and cash equivalents, beginning of year		15,841	29,668
Cash and cash equivalents, end of year	12	**15,212**	**15,841**

Notes to the financial statements

1 Nature of operations

The principal activity of Corinthia Finance p.l.c. (the "Company") is to finance the ownership, development, operation and financing of hotels, resorts, resorts and leisure facilities, forming part of the Corinthia Group of Companies, of which it is a member.

2 General information and statement of compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the Companies Act, Cap 386.

Corinthia Finance p.l.c. is a public company and is incorporated and domiciled in Malta. The address of the Company's registered office is 22, Europa Centre, Floriana FRN 1400, Malta. The parent company of Corinthia Finance p.l.c. is Corinthia Palace Hotel Company Limited of the same address.

The financial statements are presented in euro (€), which is also the functional currency of the Company.

3 Changes in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off';
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Company does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made,
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions. The Company has not made any new disclosures required by IAS 36 as the application of the standard has not had any material impact on the amounts recognised in the financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 *Financial Instruments* (2014)

The IASB recently released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018, but has not yet been endorsed by the EU.

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described below.

The accounting policies have been consistently applied by the company and are consistent with those used in previous years.

4.2 Revenue

Interest income is reported on an accrual basis using the effective interest method.

4.3 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Interest expense is reported on an accrual basis using the effective interest method.

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the Company's borrowings. All borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

4.5 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the Company are classified into the following categories upon initial recognition:

- loans and receivables
- available-for-sale financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administrative expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of receivables is presented within 'administrative expenses'.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. After initial recognition these are measured at fair value in the statement of financial position.

Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the investment revaluation reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include bonds in issue and payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'finance costs'.

4.6 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

4.8 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Investment revaluation reserve comprises fair value gains on the revaluation of available-for-sale financial assets held in a trust.

Retained earnings include all current and prior period retained profits and losses.

4.9 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 revision and future periods if the revision affects both current and future periods.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

5 Finance income and finance costs

Finance income and finance costs for the reporting periods consist of the following:

	2014	**2013**
	€	**€**
Interest charged on loan owed by parent company	2,988,204	2,999,400
Others	31,163	11,680
Finance income	**3,019,367**	**3,011,080**
Interest on bonds	2,947,205	2,950,505
Finance costs	**2,947,205**	**2,950,505**

6 Profit before tax

The profit before tax is stated after charging:

	2014	**2013**
	€	**€**
Directors' remuneration	21,000	21,000
Auditor's remuneration	8,000	7,500

7 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2013: 35%) and the tax expense actually recognised in the statement of total comprehensive income can be reconciled as follows:

	2014 €	2013 €
Profit before tax	31,058	20,112
Tax rate	35%	35%
Expected tax expense	**(10,870)**	**(7,039)**
Adjustment for difference in tax rates	6,233	2,336
Adjustment for other permanent differences	(37)	-
Actual tax expense	**(4,674)**	**(4,703)**
Comprising:		
Current tax	(2,686)	(4,328)
Deferred tax	(1,988)	(375)
	(4,674)	**(4,703)**

8 Earnings per share

Earnings per share have been calculated by dividing the profit for the year after tax by the number of ordinary shares in issue during the year.

9 Loans owed by parent company

	Security	Interest rate	Repayable by	2014 €	2013 €
Loan III	None	6.60%	7 September 2019	23,610,000	24,255,000
Loan IV	None	6.60%	7 September 2019	14,165,000	14,555,000
Loan V	None	6.40%	14 March 2022	7,395,000	7,500,000
				45,170,000	**46,310,000**

These loans rank pari passu, without any priority or preference within all other present and future unsecured and unsubordinated obligations of the parent company to which the loans have been advanced.

The carrying amount of the loans is considered a reasonable approximation of fair value.

10 Other long-term financial assets

Other long-term financial assets comprise interest-bearing bank accounts and Malta Government Stocks held by trustees for bond redemption sinking fund purposes.

The Company has undertaken to build up a sinking fund for the bonds that mature in years 2016-2019 and 2019-2022. The total contribution to the sinking fund by the latest redemption date will be equivalent to 50% of the original value of the issued bonds.

The funds allocated to the sinking funds have been invested as follows:

	2014	2013
	€	€
Loans and receivables:		
- Interest-bearing bank accounts	1,380,781	858,209
Available-for-sale financial assets		
- Malta Government Stocks	1,063,743	310,135
	2,444,524	**1,168,344**

The Malta Government Stocks are publicly traded in Malta. Fair values of these stocks have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy.

11 Receivables

	2014	2013
	€	€
Amounts owed by parent company	530,350	916,812
Accrued interest income	1,185,347	1,164,937
Financial assets	**1,715,697**	**2,081,749**
Prepayments	2,480	-
Receivables	**1,718,177**	**2,081,749**

The carrying value of financial assets is considered a reasonable approximation of fair value.

The amounts owed by parent company are unsecured, interest free and repayable on demand.

12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include the following component:

	2014	2013
	€	€
Cash at bank	**15,212**	**15,841**

13 Share capital

The share capital of Corinthia Finance p.l.c. consists of fully paid ordinary shares with a par value of € 1 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Corinthia Finance p.l.c.

	2014	2013
	€	€
Shares issued and fully paid at 31 December		
250,000 ordinary shares of € 1 each	**250,000**	**250,000**
Shares authorised at 31 December		
2,500,000 ordinary shares of € 1 each	**2,500,000**	**2,500,000**

14 Bonds in issue

	Repayment date	Interest rate	2014 €	2013 €
Bond III	23 September 2016-2019	6.25%	39,927,600	39,967,600
Bond IV	29 March 2019-2022	6.00%	7,500,000	7,500,000
			47,427,600	**47,467,600**

The prospectuses for the bond issues allow the Company to redeem the bonds or any part thereof at any time prior to the stated maturity date during the redemption option period.

In 2014, the Company bought back a nominal amount of € 40,000 of the 6.25% Corinthia Finance p.l.c. Bonds 2016-2019 out of funds transferred to the sinking fund. All bonds so purchased by the Company were subsequently cancelled reducing the previous value of € 39,967,600 issued bond capital to a nominal value of € 39,927,600.

The payment of these bonds and interest thereon are guaranteed by the parent company which has bound itself jointly and severally with the Company.

The carrying value of the bonds in issue is considered a reasonable approximation of their fair values.

15 Payables

Payables recognised in the statement of financial position can be analysed as follows:

	2014 €	2013 €
Current		
Accrued interest on bonds in issue	1,020,574	1,021,254
Other accruals	14,251	10,062
Other payables	371,118	739,724
Financial liabilities	**1,405,943**	**1,771,040**

The carrying value of financial liabilities is considered a reasonable approximation of fair value.

16 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	2014 €	2013 €
Adjustments:		
Interest receivable	(3,019,367)	(3,011,080)
Interest payable	2,947,205	2,950,505
Total adjustments	**(72,162)**	**(60,575)**
Net changes in working capital:		
Change in receivables	384,983	(358,991)
Change in payables	(364,417)	343,451
Total changes in working capital	**20,566**	**(15,540)**

17 Related party transactions

The Company's related parties include its parent company, fellow subsidiaries, key management and all other parties within the Corinthia Group of Companies.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

17.1 Transactions with key management personnel

Other than the remuneration paid to the directors included in note 6, there were no other transactions with key management personnel.

17.2 Transactions with parent company

Transactions with parent company are included in note 5 whilst balances are shown separately in notes 9 and 11.

18 Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 18.4. The main types of risks are credit risk and liquidity risk.

The Company's risk management is co-ordinated at its head office, in close co-operation with the board of directors.

The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

18.1 Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2014	2013
		€	€
Classes of financial assets – carrying amounts			
Loans owed by parent company	9	45,170,000	46,310,000
Other long-term financial assets	10	2,444,524	1,168,344
Receivables	11	1,715,697	2,081,749
Cash and cash equivalents	12	15,212	15,841
		49,345,433	**49,575,934**

Management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

The Company does not have significant exposure with respect to loans and receivables since the major debtor is the parent company.

The other long-term financial assets are held in a trust with a reputable local bank with high quality external credit rating and a licensed investment service company which is regulated by the Malta Financial Services Authority (MFSA). The sinking funds are composed of interest-earning bank accounts and Malta Government Stocks, whose credit risk is considered to be negligible in light of the stable local economic environment.

The credit risk for liquid funds is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

None of the Company's assets is secured by collateral or other credit enhancements.

18.2 Liquidity risk

Management manages the Company's liquidity needs by carefully monitoring cash flows in day to day business. Liquidity needs are monitored in various time bands, on a daily and weekly basis, as well as on the basis of rolling 30-day projections. Long-term liquidity needs for a 6-monthly and yearly periods are identified monthly.

The Company maintains cash to meet its liquidity requirements for the short-term. Funding for long-term liquidity needs is secured by the parent company.

As at 31 December 2014, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 Years	later than 5 years
31 December 2014	**€**	**€**	**€**	**€**
Bonds in issue	-	-	39,927,600	7,500,000
Interest on bonds in issue	450,000	2,495,475	11,781,900	1,350,000
Payables	385,369	-	-	-
	835,369	**2,495,475**	**51,709,500**	**8,850,000**

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 Years	later than 5 years
31 December 2013	**€**	**€**	**€**	**€**
Bonds in issue	-	-	-	47,467,600
Interest on bonds in issue	450,000	2,497,975	11,791,900	4,297,975
Payables	749,786	-	-	-
	1,199,786	**2,497,975**	**11,791,900**	**51,765,575**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

18.3 Market risk analysis

Foreign currency risk

The Company's transactions are carried out in euro and therefore there is no exposure to foreign currency exchange rate risk.

Interest rate risk

The Company is not significantly exposed to interest rate risk since its interest-bearing financial assets and liabilities are at fixed rates of interest.

18.4 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	Notes	2014 €	2013 €
Financial assets			
Available-for-sale financial assets:			
- Malta Government Stocks	10	1,063,743	310,135
Loans and receivables:			
Non-current			
- Loans owed by parent company	9	45,170,000	46,310,000
- Interest-bearing bank accounts	10	1,380,781	858,209
Current			
- Receivables	11	1,715,697	2,081,749
- Cash and cash equivalents	12	15,212	15,841
		49,345,433	**49,575,934**
Financial liabilities			
Liabilities measured at amortised cost:			
Non-current			
- Bonds in issue	14	47,427,600	47,467,600
Current			
- Payables	15	1,405,943	1,771,040
		48,833,543	**49,238,640**

See note 4.5 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the Company's risk management objectives and policies for financial instruments is given in note 18.

19 Capital management policies and procedures

The board's objective is to raise funds through the issue of bonds to the general public, as may be required by the parent company from time to time.

The Company is not subject to externally imposed capital requirements.

20 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Independent auditor's report

To the shareholders of

Corinthia Finance p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Corinthia Finance p.l.c. set out on pages 12 to 27, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements.
- the company has not kept proper accounting records.
- the company's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- certain information required by the Act regarding directors' remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

We have nothing to report to you in respect of these responsibilities.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
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Malta

27 April 2015