CORINTHIA FINANCE P.L.C.

Annual Report and Financial Statements
31 December 2015

Company Registration No: C 25104

Contents

Directors' Report	1
Statement by the directors on the financial statements and other information included in the annual report	3
Directors' statement of compliance with the Code of Principles of Good Corporate Governance	4
Other disclosures in terms of listing rules	8
Remuneration statement	9
Report by sinking fund trustee	10
Report by sinking fund custodian	11
Independent auditors' report on the directors' statement of compliance with the Code of Principles of Good Corporate Governance	12
Independent auditor's report	13
Statement of total comprehensive income	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	20

Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 31 December 2015.

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.

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.

Review of the business

During the year under review, the Company registered a profit of €27,970 plus gains in other comprehensive income of €119,906 for a total comprehensive income of €147,876. The Company's financial position as at 31 December 2015 is set out on page 16 of the Financial Statements. The directors have proposed and paid a final net dividend of €100,000.

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.

Events after the end of the reporting period

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

On 8 April 2016, a new bond issued by the company to replace €39,927,600 6.25% 2016-2019 (Bond III) was oversubscribed. An amount of €33,412,900 in nominal value was exchanged for the new bonds and the balance of €6,514,700 will be redeemed on 24 September 2016. The new bond will bear interest at a rate of 4.25% and will be redeemed at par on 12 April 2026.

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.

Directors' report - continued

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.

On behalf of the board,

Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

Registered Office:
22, Europa Centre
John Lopez Street
Floriana FRN 1400
Malta

25 April 2016

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 25 April 2016 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.

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

Principle 3: Composition of the board - continued

The board considers that Dr. Joseph J Vella, Mr. Frank Xerri de Caro and Mr. Anthony R Curmi are the three independent Directors of the company and hereby reports that neither of them:

a) are or have been employed in any capacity by the Company;
b) have or have had, over the past three years, a significant business relationship with the Company;
c) have received or receives significant additional remuneration from the Company in addition to its' director's fee;
d) have close family ties with any of the Company's executive directors or senior employees;
e) have been within the last three years an engagement partner or a member of the audit team or past external auditor of the Company

Each of the Directors hereby declares that he undertakes to:

a) maintain in all circumstances his independence of analysis, decision and action;
b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
c) clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

The board also 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 until 9 February 2016. Mr. Eugenio Privitelli was appointed as at that date.

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

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

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. The Company is committed to provide adequate and detailed induction training to directors who are newly appointed to the Board. The Company pledged to make available to the directors all training and advice on requirements basis, including regular attendance at courses on matters which are important to the execution of the role of directors.

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 audits 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 three times. The internal and external auditors were invited to attend these meetings.

Principle 8: Committees - continued

Audit committee

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 Eugenio Privitelli 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.

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

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 25 April 2016 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

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

Signed on behalf of the board of directors on 25 April 2016 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 2015, 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 elements nor share options.

Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

BOV

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Trustee Services Unit
58 Zachary Street, Valletta VLT 1130 – Malta
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The Listing Authority
Malta Financial Services Authority
Notabile Road
Attard BKR3000

21st April 2016

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.

On the 8th April 2016, a new €40,000,000 Bond was issued by the Company to early repay the above-captioned Bond. An amount of €33,412,900 in nominal value of the above-captioned Bond was exchanged for the new bond, with the balance of €6,514,700, net of the redemption of Bonds from the same Issue having a nominal value of €72,400, to be redeemed on the 24th September 2016.

We hereby confirm that as at the date of this report the Sinking Fund balance on the 6.25% €40,000,000 Bonds 2016-2019 amounts to €3,261,718. This amount is slightly higher than the equivalent of 50% of the redemption monies which will be due for payment in September 2016. 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

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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 2015

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**").

As at date of this report, we confirm that the Sinking Fund balance amounts to €323,138. This amount agrees with the table of Sinking Fund contributions included in the Prospectus. Such proceeds have been properly applied in accordance with the investment parameters described in the Prospectus and the policies of the Listing Authority.

Evan Mohnani (Head of Corporate Finance) for and on behalf of
Charts Investment Management Service Limited
as Custodian

12 April 2016

pwc

Independent auditor's report

To the Shareholders of Corinthia Finance p.l.c

Report on the Financial Statements for the year ended 31 December 2015

We have audited the financial statements of Corinthia Finance p.l.c. on pages 15 to 33 which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
As explained more comprehensively in the Statement of Directors' responsibilities for the financial statements on page 2, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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 about whether the financial statements are free from 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 the auditor's 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, the auditor considers 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 financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

Independent auditor's report - continued

To the Shareholders of Corinthia Finance p.l.c

Report on Corporate Governance - continued

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the Directors.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any 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 Corporate Governance Statement cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 5 to 12 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Report on Other Legal and Regulatory Requirements for the year ended 31 December 2015

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
    - The information given in the Directors' report is not consistent with the financial statements.
    - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
    - The financial statements are not in agreement with the accounting records and returns.
    - We have not received all the information and explanations we require for our audit.
    - Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- Under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Simon Flynn
Partner

25 April 2016

Statement of total comprehensive income

	Note	Year ended 31 December 2015 €	2014 €
Finance income	5	**3,023,621**	3,019,367
Finance costs	5	**(2,945,475)**	(2,947,205)
Administrative expenses	6	**(41,597)**	(41,104)
Profit before tax		**36,549**	31,058
Tax expense	7	**(8,579)**	(4,674)
Profit for the year		**27,970**	26,384
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
- fair value gains		**119,906**	148,704
Other comprehensive income for the year		**119,906**	148,704
Total comprehensive income for the year		**147,876**	175,088

Statement of financial position

	Notes	As at 31 December 2015 €	2014 €
ASSETS			
Non-current			
Loans owed by parent company	9	**45,170,000**	45,170,000
Other long-term financial assets		**2,606,620**	2,444,524
Total non-current assets		**47,776,620**	47,614,524
Current			
Receivables	11	**1,948,945**	1,718,177
Cash and cash equivalents	12	**8,924**	15,212
Total current assets		**1,957,869**	1,733,389
Total assets		**49,734,489**	49,347,913
EQUITY			
Share capital	13	**250,000**	250,000
Investment revaluation reserve		**276,260**	156,354
Retained earnings		**33,623**	105,653
Total equity		**559,883**	512,007
Non-current liabilties			
Bonds in issue	14	**47,427,600**	47,427,600
Deferred tax liability		**3,941**	2,363
Total non-current liabilities		**47,431,541**	47,429,963
Current liabilities			
Payables	15	**1,743,065**	1,405,943
Total liabilities		**49,174,606**	48,835,906
Total equity and liabilities		**49,734,489**	49,347,913

The financial statements on pages 15 to 33 were approved by the board of directors, authorised for issue on 25 April 2016 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 €
At 1 January 2014	250,000	7,650	79,269	336,919
Comprehensive income:				
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**
At 1 January 2015	250,000	156,354	105,653	512,007
Comprehensive income:				
Profit for the year	-	-	27,970	27,970
Other comprehensive income	-	119,906	-	119,906
Transactions with owners:				
Dividend	-	-	(100,000)	(100,000)
Total comprehensive income for the year	-	119,906	(72,030)	47,876
At 31 December 2015	**250,000**	**276,260**	**33,623**	**559,883**

Statement of cash flows

	Notes	Year ended 31 December 2015 €	2014 €
Cash flows from operating activities			
Cash generated from/(used in) operating activities	16	**45,977**	(20,538)
Tax paid		**(7,000)**	-
Net cash generated from/(used in) operating activities		**38,977**	(20,538)
Cash flows from investing activities			
Proceeds from repayment of loans owed by parent company		**-**	1,140,000
Interest received		**3,000,210**	2,967,794
Deposits into bond redemption sinking funds		**-**	(1,140,000)
Net cash generated from investing activities		**3,000,210**	2,967,794
Cash flows from financing activities			
Dividends	8	**(100,000)**	-
Interest paid		**(2,945,475)**	(2,947,885)
Net cash used in financing activities		**(3,045,475)**	(2,947,885)
Net change in cash and cash equivalents		**(6,288)**	(629)
Cash and cash equivalents at beginning of year		**15,212**	15,841
Cash and cash equivalents at end of year	12	**8,924**	15,212

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. Basis of preparation

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.

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the company adopted amendments to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2015, comprising:

- Annual improvements to IFRSs – 2010 - 2012 Cycle and 2011 – 2013 Cycle.The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the company's accounting policies impacting the company's financial performance and position.

Standards, interpretations and amendments to published to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2015. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the comapny's financial statements in the period of initial application, except for IFRS 9 'Financial instruments'.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

3. Summary of accounting policies

3.1 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.

3.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

3.3 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.

3.4 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

Other borrowing costs are expensed in the period in which they are incurred.

3. **Summary of accounting policies** - continued

3.5 Financial assets

3.5.1 Classification

The company classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (refer to accounting policies 3.8 and 3.9).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

3.5.3 Recognition and derecognition

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

3.5.4 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

3. Summary of accounting policies – continued

3.5 Financial assets - continued

3.5.4 Measurement – continued

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. The effective interest rate is the rate that exactly discounts estimate future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial assets or financial liability.

Available-for-sale financial are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the company's right to receive payments is established.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

3.5.5 Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

3. Summary of accounting policies – continued

3.6 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities, other than derivative financial instruments, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. Financial liabilities at fair value through profit or loss would be initially recognised at fair value through profit or loss with transaction costs expenses in profit or loss and would be subsequently measured at fair value. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

3.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Summary of accounting policies – continued

3.7 Income tax – continued

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

3.9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.11 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

5. Finance income and finance costs

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

	2015	2014
	€	€
Interest charged on loan owed by parent company	**2,966,430**	2,988,204
Others	**57,191**	31,163
Finance income	**3,023,621**	3,019,367
Interest on bonds	**2,945,475**	2,947,205
Finance costs	**2,945,475**	2,947,205

6. Expenses by nature

	2015	2014
	€	€
Directors' remuneration	**21,000**	21,000
Other expenses	**20,597**	20,104
	41,597	41,104

6. Expenses by nature – continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial year ended 31 December 2015 relate to the following:

	2015
	€
Annual statutory audit	4,500
Tax compliance services	500
	5,000

The fees charged by the previous auditor in 2014 for the annual statutory audit services amounted to €8,000

7. Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2014: 35%) and the tax expense actually recognised in the statement of total comprehensive income can be reconciled as follows:

	2015	2014
	€	€
Profit before tax	36,549	31,058
Tax on profit at 35%	(12,792)	(10,870)
Tax effect of:		
Income subject to a different rate of tax	4,213	6,233
Others	-	(37)
Actual tax expense	(8,579)	(4,674)
Comprising:		
Current tax	(7,001)	(2,686)
Deferred tax	(1,578)	(1,988)
	(8,579)	(4,674)

8. Dividends

	2015	2014
	€	€
Final dividends paid on ordinary shares:		
Gross	153,846	-
Tax at source	(53,846)	-
Net	100,000	-
Dividends per share	0.4	-

9. Loans owed by parent company

	Security	Interest rate	Repayable by	2015	2014
				€	€
Loan III	None	6.60%	7 September 2019	**23,610,000**	23,610,000
Loan IV	None	6.60%	7 September 2019	**14,165,000**	14,165,000
Loan V	None	6.40%	14 March 2022	**7,395,000**	7,395,000
				45,170,000	45,170,000

These loans shall be repaid in full by 7 September 2019 and 14 March 2022 respectively. Loan III and Loan IV are subject to earlier pre-payments from 30 November 2016. Loan V is subject to earlier pre-payments, if the early redemption option of the respective bonds is exercised between 30 March 2019 and 29 March 2022.

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.

Based on the current market prices of the issued bonds, the aggregate fair value of Loan III and Loan IV is €38,120,000 and the fair value of Loan V is €8,236,000.

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:

	2015	2014
	€	€
Loans and receivables:		
Interest-bearing bank accounts	**681,504**	1,380,781
Available-for-sale financial assets		
Malta Government Stocks	**1,925,116**	1,063,743
	2,606,620	2,444,524

The Malta Government Stocks are publicly traded on the Malta Stock Exchange. Fair values of these stocks have been estimated by reference to quoted bid prices at the reporting date and are categorised within Level 1 of the fair value hierarchy.
On the 12 April 2016, the company transferred €210,000 into the €7.5m 6% Sinking Fund. On 21 April 2016, the company also transferred €670,000 into the €39.9m 6.25% Sinking Fund.

11. Receivables

	2015	2014
	€	€
Current		
Amounts owed by parent company	**790,378**	530,350
Accrued interest income	**1,158,567**	1,185,347
Financial assets	**1,948,945**	1,715,697
Prepayments	**-**	2,480
Receivables	**1,948,945**	1,718,177

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:

	2015	2014
	€	€
Cash at bank	**8,924**	15,212

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.

	2015	2014
	€	€
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

	Security	Interest rate	Repayable by	2015	2014
				€	€
Bond III	None	6.25%	7 September 2019	**39,927,600**	39,927,600
Bond IV	None	6.00%	29 March 2022	**7,500,000**	7,500,000
				47,427,600	47,427,600

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. The early redemption option period for Bond III, is between 24 September 2016 and 22 September 2019. The early redemption option period for Bond IV is between 30 March 2019 and 29 March 2022. The bond issue costs on the bonds have been borne by the parent company.

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. The quoted market price as at 31 December 2015 for Bond III was €103.99 (2014: €103) and Bond IV was €106.50 (2014: €103.53).

15. Payables

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

	2015	2014
	€	€
Current		
Accrued interest on bonds in issue	**1,020,574**	1,020,574
Other accruals	**10,138**	14,251
Other payables	**712,353**	371,118
Financial liabilities	**1,743,065**	1,405,943

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 effected to profit before tax to arrive at operating cash flows:

	2015	2014
	€	€
Operating profit	**36,549**	31,058
Adjustments:		
Interest income	**(3,023,621)**	(3,019,367)
Interest expense	**2,945,475**	2,947,205
Other adjustments	**8,000**	-
Changes in working capital:		
Change in receivables	**(257,548)**	384,983
Change in payables	**337,122**	(364,417)
Cash generated from/ (used in) operations	**45,977**	(20,538)

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 instruments

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. Financial instrument risk - continued

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:

	Note	2015	2014
		€	**€**
Classes of financial assets – carrying amounts			
Loans owed by parent company	9	**45,170,000**	45,170,000
Other long-term financial assets	10	**2,606,620**	2,444,524
Receivables	11	**1,948,945**	1,715,697
Cash and cash equivalents	12	**8,924**	15,212
		49,734,489	49,345,433

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. Malta Government Stocks hold a credit rating of BBB+/A-2.

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 on a regular basis. Long-term liquidity needs for 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.

In view of the nature of activities, the company manages the timing and extent of inflows from its key financial asset, the loans to the parent, to match demands for liquidity in respect of its bond obligations.

18. Financial instrument risk - continued

18.2 Liquidity risk - continued

As at 31 December 2015, 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**	**1 to 5 years**	**later than 5 years**
31 December 2015	**€**	**€**	**€**	**€**
Bonds in issue	-	-	39,927,600	7,500,000
Interest on bonds in issue	450,000	2,495,475	9,286,425	900,000
Payables	722,491	-	-	-
	1,172,491	**2,495,475**	**49,214,025**	**8,400,000**

	Current		Non-current	
	within 6 months	**6 to 12 months**	**1 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**

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

18.3 Market risk

Foreign currency risk

The Company's transactions are carried out in euro and all financial assets and liabilities are denominated in euro. Therefore the company is not exposed to foreign currency 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. The company secured a spread between its fixed interest income of loans to the parent and fixed interest expense on bonds issued to the public.

18. Financial instrument risk - continued

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:

	Note	2015 €	2014 €
Financial assets			
Available-for-sale financial assets:			
- Malta Government Stocks	10	**1,925,116**	1,063,743
Loans and receivables:			
Non-current			
- Loans owed by parent company	9	**45,170,000**	45,170,000
- Interest-bearing bank accounts	10	**681,504**	1,380,781
Current			
- Receivables	11	**1,948,945**	1,715,697
- Cash and cash equivalents	12	**8,924**	15,212
		49,734,489	49,345,433
Financial liabilities			
Liabilities measured at amortised cost:			
Non-current			
- Bonds in issue	14	**47,427,600**	47,427,600
Current			
- Payables	15	**1,743,065**	1,405,943
		49,170,665	48,833,543

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 Events after the end of the reporting period

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

On 8 April 2016, a new bond issued by the Company to replace €39,927,600 6.25% 2016-2019 (Bond III) was oversubscribed. An amount of €33,412,900 in nominal value was exchanged for the new bonds and the balance of €6,514,700 will be redeemed on 24 September 2016. The new bond will bear interest at a rate of 4.25% and will be redeemed at par on 12 April 2026.