

Corinthia Finance p.l.c.
Report and Financial Statements
Year ended 31 December 2009

Contents

Contents	1
Directors' report	2
Statement by the directors on the financial statements and other information included in the annual report	4
Directors' statement of compliance with the Code of Principles Of Good Governance	5
Shareholders register information	7
Other disclosures in terms of listing rules	8
Report of the independent auditors to the shareholders Pursuant to Listing Rule 8.39 by the Listing Authority	11
Income statement	12
Balance sheet	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16
Independent auditors' report	27

Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 31 December 2009.

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 achieved a profit amounting to €4,421.

The Company's financial position at 31 December 2009 is set out on page 13 of the financial statements.

Going concern

As required by Listing Rule 9.44e.13 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 in the main 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.

Events after the balance sheet date

The Company has successfully issued another €15,000,000 6.25% bond in order to redeem the 6.5% bond maturing in April 2010. This bond is fungible with the existing €25,000,000 6.25% bond 2016-2019.

Statement of directors' responsibilities

The Companies Act, 1995 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, 1995. 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.

Auditors

The auditors Grant Thornton have intimated their willingness to continue in office and a resolution for their re-appointment will be proposed at the 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

26 April 2010

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

Pursuant to Listing Rule 9.44c.1, 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 26 April 2010 by:



Joseph Fenech
Chairman



Joseph J Vella
Director

Directors' statement of compliance with the Code of Principles Of Good 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 Malta Financial Services Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditors thereon.

The Board of Directors (the "Board") resolved to adopt the Code. Other than where the particular circumstances of Corinthia Finance p.l.c. (the "Company") are deemed by the Board not to warrant the implementation of specific recommendations, the Company has, throughout the year to 31 December 2009, been in compliance with the Code.

The Board

The Board of Directors is responsible for the Company's affairs, in particular in giving direction to the Company, and being actively involved in the oversight of the systems of internal controls and financial reporting.

The Board is composed of both executive and non-executive directors, as follows:

Executive Director

Mr Joseph Fenech

Non-executive Directors

Mr Frank Xerri de Caro

Dr Joseph J Vella

Mr Anthony R Curmi

Mr Joseph Fenech is the Chairman of the Board and Mr Alfred Fabri acts as Secretary to the Board. The Board met three times in the course of 2009 and all the directors attended to the meeting.

The Memorandum and Articles of Association set out extensively the procedures to be followed in the appointment of directors. Shareholders having voting rights and owning not less than 25 per cent of the share capital of the Company are entitled to appoint one director for every such 25 per cent holding. Appointed directors hold office for a period of one year, on the lapse of which period they are eligible for re-appointment.

The shareholders approve the remuneration paid to the directors at the annual general meeting. The Board has resolved to disclose directors' fees in aggregate rather than as separate figures for each director as required by the Code. The Directors received €18,640 in aggregate for services rendered during 2009.

On joining the Board and regularly thereafter, directors are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law and the Listing Rules.

Board Committees

The Audit Committee

The terms of reference of the Audit Committee have been formally set out in a separate Charter. Mr Frank Xerri de Caro, a non-executive director, acts as Chairman and Mr Joseph Fenech and Mr Anthony R. Curmi as members, whilst Mr Alfred Fabri performs the duties of Secretary to the Committee.

The Committee's role principally involves the review of the financial reporting process and internal controls. Additionally, it is responsible for monitoring the performance of the entities borrowing funds from the Company, and also carries out the oversight of related party transactions to ensure that these are carried out on an arm's length basis.

In terms of Listing Rule 8.56a the Board of Directors has identified Mr Anthony R. Curmi as the independent member of the Audit Committee who is competent in accounting and/or auditing. Mr Curmi is a Fellow of the Chartered Institute of Bankers, he is a former CEO of Mid-Med Bank Limited and a former General Manager of the Malta International Business Authority.

The Committee met twice during the year ended 31 December 2009. The Director of Finance and the Director of Internal Audit of the Company's Parent are asked to attend the meetings.

Nomination Committee, Remuneration Committee and Evaluation Committee

The Board considers that the size and operation of the Company do not warrant the setting up of a Nomination and Remuneration Committee, as recommended by the Code.

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 26 April 2010 and signed on its behalf by:


Frank Xerri de Caro
Director and Chairman of Audit Committee


Joseph J Vella
Director

Shareholders register information

Pursuant to Listing Rule 9.44e.5

Directors' interest in the shareholding of the Company

There have been no changes in the shareholding of the Company since balance sheet date.

Pursuant to Listing Rule 9.44e.6.1

Shareholders holding 5% or more of the share capital at 31 December 2009:

	2009		2008	
	Number of shares	Percentage holding %	Number of shares	Percentage holding %
Corinthia Palace Hotel Company Limited	99,999	99.99	99,999	99.99

Number of shareholders and shareholding details:

Range	Total shareholders at 31 December 2009	Total shareholders at 31 December 2008
1 to 1000	1	1
1001 to 5000	-	-
5001 and over	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

Shareholders having voting rights and owning not less than 25 per cent of the share capital of the Company are entitled to appoint one director for every such 25 per cent holding.

There have been no changes in the above-mentioned holdings between the year end and 26 April 2010.

Other disclosures in terms of listing rules

Pursuant to Listing Rule 9.43

Share Capital Structure

The Company's issued share capital is one hundred thousand (100,000) ordinary shares of €2.329373 each. All of the issued shares of the Company form part of one class of ordinary shares in the Company. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves. The following are highlights of the rights attaching to the shares:

- Dividends:** The shares carry the right to participate in any distribution of dividend declared by the Company;
- Voting Rights:** Each share shall be entitled to one vote at meetings of shareholders;
- Pre-emption Rights:** Subject to the limitations contained in the memorandum and articles of association, shareholders in the Company shall be entitled, in accordance with the provisions of the Company's memorandum and articles of association, to be offered any new shares to be issued by the Company a right to subscribe for such shares in proportion to their then current shareholding, before such shares are offered to the public or to any person not being a shareholder.
- Capital Distributions:** The shares carry the right for the holders thereof to participate in any distribution of capital made, whether on a winding up or otherwise;
- Transferability:** The shares are freely transferable in accordance with the memorandum and articles of association and any rules as may be, applicable from time to time;
- Other:** The shares are not redeemable.

Holdings in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at the 31 December 2009, Corinthia Palace Hotel Company Limited holds 99,999 shares in the Company, equivalent to 99.999% of its total issued share capital. As far as the Company is aware, no persons hold an indirect shareholding in excess of 5% of its total issued share capital.

In terms of the memorandum and articles of association of the Company, the Directors of the Company shall be appointed as follows:

Appointment and Replacement of Directors

- (a) The appointment of Directors to the Board is reserved to shareholders or a number of members who individually or between them have a holding of 25% of the total issued share capital of the Company having voting rights;
- (b) A shareholder or a number of members who individually or between them hold 25% of the issued share capital of the Company are entitled to appoint one Director for every such 25% shareholding held. Any shareholder who does not appoint a Director or Directors as described above, will participate in the annual election of Directors at the Annual General Meeting of the Company. Shareholders who are entitled to appoint Directors pursuant to their 25% holding shall be entitled to participate in the annual election of Directors, provided that in such an election they only use such shares, not otherwise used to appoint a Director as described above; and
- (c) All Directors may be removed from their post by the shareholder appointing them, or by an ordinary resolution of the shareholders in general meeting. Unless appointed for a longer or shorter period or unless they resign or are removed, the Directors shall, unless otherwise specified in the letter of their appointment hold office for a period of one year. Directors are eligible for re-appointment upon the lapse of the period stated in their letter of appointment.

Further details on the appointment of Directors may be found in the memorandum and articles of association of the Company.

Amendments to the Memorandum and Articles of Association

In terms of the Companies Act, Cap. 386 of the Laws of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its memorandum or articles of association. An extraordinary resolution is one where:

- (a) it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given;
- (b) it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate:
 - (i) not less than seventy five per cent (75%) in nominal value of the shares represented and entitled to vote at the general meeting; and
 - (ii) at least fifty one per cent (51%) in nominal value of the issued share capital entitled to vote at the meeting.

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the Company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Board Member Powers

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts and sue and be sued in representation of the Company. In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association reserved for the Company in general meeting.

Pursuant to Listing Rule 9.44e.10

Contracts of significance with parent company

Loan agreements with Corinthia Palace Hotel Company Limited

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 is set out in the Company's financial statements.


Pursuant to Listing Rule 9.44e.14

Company secretary and registered office

Mr Alfred Fabri
22, Europa Centre
Floriana FRN 1400
Malta

Telephone (+356) 21 233 141

Signed on behalf of the Board of Directors on 26 April 2010 by:


Frank Xerri de Caro
Director and Chairman of Audit Committee


Joseph J Vella
Director

Report of the independent auditors to the shareholders

Pursuant to Listing Rule 8.39 by the Listing Authority

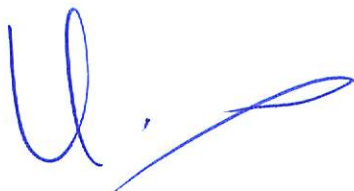
Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the directors of Corinthia Finance p.l.c. (the “company”) to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the “statement of compliance”), and the effective measures they have taken to ensure compliance with these principles.

Our responsibility, as auditors of the company, is laid down by Listing Rule 8.39, 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 Rules 8.37 and 8.38 issued by the Listing Authority.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre
Tower Street
Swatar BKR 3013

26 April 2010


Income statement

	Notes	2009 €	2008 €
Finance income	5	3,434,431	3,304,701
Finance costs	5	<u>(3,391,963)</u>	<u>(3,275,496)</u>
		42,468	29,205
Administrative expenses		<u>(35,666)</u>	<u>(28,453)</u>
Profit before tax	6	6,802	752
Tax expense	7	<u>(2,381)</u>	<u>(264)</u>
Profit for the year		<u>4,421</u>	<u>488</u>

Balance sheet

	Notes	2009 €	2008 €
Assets			
Non-current			
Loans owed by parent company	8	<u>39,667,365</u>	<u>28,517,365</u>
Current			
Loans owed by parent company	8	13,850,000	19,365,712
Trade and other receivables	9	1,963,707	1,677,063
Tax recoverable		5,490	11,755
Cash and cash equivalents	10	60,976	29,073
		<u>15,880,173</u>	<u>21,083,603</u>
Total assets		<u>55,547,538</u>	<u>49,600,968</u>
Equity			
Share capital	11	232,937	232,937
Retained earnings		8,059	3,638
Total equity		<u>240,996</u>	<u>236,575</u>
Liabilities			
Non current			
Bonds in issue	12	<u>39,644,885</u>	<u>28,834,748</u>
Current			
Bonds in issue	12	14,255,711	19,366,914
Trade and other payables	13	1,405,946	1,162,731
		<u>15,661,657</u>	<u>20,529,645</u>
Total liabilities		<u>55,306,542</u>	<u>49,364,393</u>
Total equity and liabilities		<u>55,547,538</u>	<u>49,600,968</u>

The financial statements on pages 12 to 26 were approved by the board of directors, authorised for issue on 26 April 2010 and signed on its behalf by:


Joseph Fenech
 Chairman

Joseph J Vella
 Director

Statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
1 January 2008	232,937	3,150	236,087
Profit for the year	-	488	488
At 31 December 2008	232,937	3,638	236,575
1 January 2009	232,937	3,638	236,575
Profit for the year	-	4,421	4,421
At 31 December 2009	232,937	8,059	240,996

Statement of cash flows

	Notes	2009 €	2008 €
Operating activities			
Profit before tax		6,802	752
Adjustments	14	(42,468)	(29,205)
Net changes in working capital	14	41,399	(2)
Tax refunded		7,322	4,282
Tax paid		(3,438)	(4,697)
Net cash from/(used in) operating activities		9,617	(28,870)
Investing activities			
Proceeds from repayment of loans advanced to parent company		19,365,712	-
Loan advanced to parent company		(25,000,000)	-
Interest received		3,147,698	3,206,202
Net cash (used in)/from investing activities		(2,486,590)	3,206,202
Financing activities			
Proceeds from bond issue		25,000,000	-
Payments for the redemption of bonds		(19,366,914)	-
Interest paid		(3,124,210)	(3,213,840)
Net cash from/(used in) financing activities		2,508,876	(3,213,840)
Net change in cash and cash equivalents		31,903	(36,508)
Cash and cash equivalents, beginning of year		29,073	65,581
Cash and cash equivalents, end of year	10	60,976	29,073

Notes to the financial statements

1 Nature of operations

The company's principal activity 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

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 EU, and in accordance with the Companies Act, 1995.

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 Overall considerations

The company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the company's financial statements for the annual period beginning 1 January 2009:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- Amendments to IFRS 7 Financial Instruments: Disclosures – improving disclosures about financial instruments.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes 3.2 and 3.3.

3.2 Adoption of IAS 1 Presentation of Financial Statements (Revised 2007)

The adoption of the standard does not affect the financial position or profits of the company, but gives rise to additional disclosures. The measurement and recognition of the company's assets, liabilities, income and expenses is unchanged, however, some items that were recognised in equity are now recognised in other comprehensive income. In the case of the company there is no other comprehensive income and therefore there is no significant change in disclosure. This standard requires presentation of a comparative balance sheet as at the beginning of the first comparative period in some circumstances. Management considers that this is not necessary this year because the 2007 balance sheet is the same as that previously published.

3.3 Adoption of amendments to IFRS 7 Financial Instruments: Disclosures – improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments that are measured at fair value in the balance sheet. These fair value measurements are categorised into a three-level fair value hierarchy which reflects the extent to which they are based on observable market data. The company does not have any financial instruments which fall into this category.

3.4 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 but are not yet effective, and have not been adopted early by the company.

Management anticipates that all new relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new Standards and Interpretations have been issued but are not expected to have a material impact on the company's financial statements.

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 in the accounting policies below.

4.2 Revenue

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

4.3 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement.

4.4 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.

4.5 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'.

4.6 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially

at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the company are classified into loans and receivables upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in equity.

All financial assets except for those at fair value through profit or loss 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 costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other 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, trade and most other 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 trade receivables are presented within 'other expenses'.

Financial liabilities

The company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

4.7 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 directly in equity, in which case the related deferred tax is also recognised in equity.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

4.9 Equity and reserves

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

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

4.10 Significant management judgement in applying accounting policies

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 may be analysed as follows:

	2009	2008
	€	€
Interest charged on loan to parent company	3,434,431	3,304,701
Finance income	3,434,431	3,304,701
Interest on bonds	3,326,114	3,213,840
Amortisation of discount on issue of bonds	65,849	61,656
Finance costs	3,391,963	3,275,496

6 Profit before tax

The profit before tax is stated after charging:

	2009	2008
	€	€
Directors' remuneration	18,640	15,145
Auditors' remuneration	6,500	7,325

7 Tax expense

The income tax expense is calculated on the company's taxable income at the statutory tax rate of 35%. No differences arise between the accounting profit and taxable income.

8 Loans owed by parent company

	Security	Interest rate	Repayable by	2009	2008
				€	€
Loan I	None	6.85%	15 October 2009	-	19,365,712
Loan II	None	7.10%	15 March 2010	13,850,000	13,850,000
Loan III	None	6.90%	15 March 2012	14,667,365	14,667,365
Loan IV	None	6.40%	7 September 2019	25,000,000	-
				53,517,365	47,883,077
Comprising:					
Non-current				39,667,365	28,517,365
Current				13,850,000	19,365,712
				53,517,365	47,883,077

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.

9 Trade and other receivables

	2009	2008
	€	€
Amounts owed by parent company	453,459	326,648
Accrued interest income	1,509,222	1,349,300
Financial assets	1,962,681	1,675,948
Prepayments	1,026	1,115
	1,963,707	1,677,063

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

10 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows include the following components:

	2009	2008
	€	€
Cash at bank	60,976	29,073

The company did not have any restrictions on its cash at bank at year end.

11 Share capital

The share capital of Corinthia Finance p.l.c. consists of fully paid ordinary shares with a par value of €2.329373 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.

	2009	2008
	€	€
Shares issued and fully paid at 31 December		
100,000 ordinary shares of €2.329373 each	232,937	232,937
Shares authorised at 31 December		
1,000,000 ordinary shares of €2.329373 each	2,329,373	2,329,373

12 Bonds in issue

	Repayable by	Interest rate	Note	2009 €	2008 €
Bond I	30 October 2009	6.70%	12.1	-	19,366,914
Bond II	8 April 2010	6.50%		14,255,711	14,189,863
Bond III	8 April 2012	6.75%		14,644,885	14,644,885
Bond IV	23 September 2019	6.25%		25,000,000	-
				53,900,596	48,201,662
				2009 €	2008 €
Comprising:					
Non-current				39,644,885	28,834,748
Current				14,255,711	19,366,914
				53,900,596	48,201,662

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

On 23 September 2009, the company issued bonds of €20 million with interest of 6.25% which, unless previously purchased and cancelled will be redeemed at their nominal value on 23 September 2019. The issue was subject to an over-allotment option for a further amount of €5 million. The company exercised its over-allotment option, thereby increasing the allotment to €25 million.

12.1 Bond II

	2009 €	2008 €
Balance at 1 January	14,189,863	14,128,207
Amortisation of bond discount	65,848	61,656
Balance at 31 December	14,255,711	14,189,863

13 Trade and other payables

Trade and other payables recognised in the balance sheet can be analysed as follows:

	2009 €	2008 €
Current		
Accrued interest on bonds in issue	1,331,061	1,129,156
Other accruals	9,270	9,032
Other payables	65,615	24,543
Financial liabilities	1,405,946	1,162,731

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

14 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:

	2009	2008
	€	€
Adjustments:		
Interest receivable	(3,434,431)	(3,304,701)
Interest payable	3,326,115	3,213,840
Amortisation of bond discount	65,848	61,656
Total adjustments	(42,468)	(29,205)
Net changes in working capital:		
Change in trade and other receivables	89	(1,115)
Change in trade and other payables	41,310	1,113
Total changes in working capital	41,399	(2)

15 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 incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

15.1 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.

15.2 Transactions with parent company

Transactions with parent company are shown in note 4 whilst balances are shown separately in notes 8 and 9.

16 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 16.5. 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.

16.1 Credit risk

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Notes	2009 €	2008 €
Classes of financial assets – carrying amounts			
Loans owed by parent company	8	53,517,365	47,883,077
Trade and other receivables	9	1,962,681	1,675,948
Cash and cash equivalents	10	60,976	29,073
		55,541,022	49,588,098

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 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.

16.2 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 2009, the company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2009	Current		Non-current	
	within 6 months €	6 to 12 months €	2 to 5 years €	later than 5 years €
Bonds in issue	14,273,700	-	14,644,885	25,000,000
Interest on bonds in issue	516,342	1,631,418	7,732,795	7,812,500
Trade and other payables	980,599	425,347	-	-
	15,770,641	2,056,765	22,377,680	32,812,500

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

31 December 2008	Current		Non-current	
	within 6 months €	6 to 12 months €	2 to 5 years €	later than 5 years €
Bonds in issue	-	19,366,914	28,918,585	-
Interest on bonds in issue	516,322	1,568,273	3,399,115	-
Trade and other payables	939,272	223,459	-	-
	1,455,594	21,158,646	32,317,700	-

16.3 Foreign currency risk

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

16.4 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.

16.5 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheet relate to the following categories of assets and liabilities:

	Notes	2009 €	2008 €
Non-current assets			
- Loans owed by parent company	8	39,667,365	28,517,365
Current assets			
- Loans owed by parent company	8	13,850,000	19,365,712
- Trade and other receivables	9	1,962,681	1,675,948
- Cash and cash equivalents	10	60,976	29,073
		15,873,657	21,070,733
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bonds in issue	12	39,644,885	28,834,748
Current liabilities			
Financial liabilities measured at amortised cost			
- Bonds in issue	12	14,255,711	19,366,914
- Trade and other payables	13	1,405,946	1,162,731
		15,661,657	20,529,645

See note 4.6 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 group's risk management objectives and policies for financial instruments is given in note 16.

17 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.

18 Events after the balance sheet date

The company has successfully issued another €15,000,000 6.25% bond in order to redeem the 6.5% bond maturing in April 2010. This bond is fungible with the existing €25,000,000 6.25% bond 2016-2019.

No other adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 26 April 2010 by the board.

Independent auditors' report

To the shareholders of

Corinthia Finance p.l.c.

We have audited the accompanying financial statements of Corinthia Finance p.l.c. set out on pages 12 to 26, which comprise the statement of financial position as at 31 December 2009, and the income statement, 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 notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 and fair presentation of the financial statements 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 principles 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 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 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by EU, and have been properly prepared in accordance with the Companies Act, 1995.

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a long horizontal stroke.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre
Tower Street
Swatar BKR 3013

26 April 2010

Income statement

	2009	2008
	€	€
Income		
Finance income	<u>3,434,431</u>	<u>3,304,701</u>
Expenses		
Administrative		
- Postage	1,192	1,481
- Printing and stationery	1,029	759
- Professional fees	4,054	2,737
- Registration fees	1,200	978
- Bank charges	541	94
- Difference on exchange	2,016	(99)
- Auditors' remuneration	6,500	7,325
- Directors' remuneration	18,640	15,145
- Miscellaneous	494	33
Finance costs	<u>3,391,963</u>	<u>3,275,496</u>
	<u>3,427,629</u>	<u>3,303,949</u>
Profit before taxation	<u>6,802</u>	<u>752</u>