



## CORINTHIA FINANCE plc

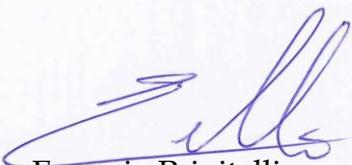
A member of the Corinthia Group of Companies

### COMPANY ANNOUNCEMENT

#### **Approval of Corinthia Finance p.l.c. Financial Statements 2019**

The Board of Directors of Corinthia Finance p.l.c. has approved the Company's Financial Statements for the period ended 28 February 2019.

A copy of the financial statements is attached to this company announcement and is also available on the following link:  
<http://www.corinthiagroup.com/corinthia-finance-plc/>.



Eugenio Privitelli  
Company Secretary

*Encl.*

27 June 2019

CORINTHIA FINANCE P.L.C.

Annual Report and Financial Statements  
For the period from 1 January 2018 to  
28 February 2019

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## **Directors' report**

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the fourteen month period ended 28 February 2019.

### **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 period under review, the Company registered a profit of €54,584. The Board approved a change of year end to end of February; therefore these financial statements have been prepared for a period of 14 months from 1 January 2018 to 28 February 2019. The comparative financial statements have been prepared for a period of 12 months ended 31 December 2017. The Company's financial position as at 28 February 2019 is set out on page 21 of the Financial Statements.

### **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 Mario P. Galea

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.

### **Future developments**

The Company intends to continue acting as a finance company on behalf of its parent company, Corinthia Palace Hotel Company Ltd.

## **Directors' report - continued**

### **Risk and uncertainties**

The main risk of Corinthia Finance plc is that Corinthia Palace Hotel Company Limited, as borrower, does not repay its loans and interest. The Directors of Corinthia Finance are provided with oversight of CPHCL's cash flow forecasts on a regular basis enabling them to monitor the evolution of these cash flows.

### **Key performance indicators**

The Company increased its interest income from the loans made to the parent company, Corinthia Palace Hotel Company Limited in accordance with the loan agreements in place.

### **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.

### **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.

**Directors' report** - continued

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,



Mr Joseph Fenech  
Chairman



Dr Joseph J. Vella  
Director

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

26 June 2019

**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 26 June 2019 by:



Mr 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.

Further to the relevant section in Appendix 5.1 to the Listing Rules the board of directors acknowledge that they are stewards of the Company's assets and their behaviour is focused on working with management to enhance value to the shareholders.

The board is composed of persons who are fit and proper to direct the business of the Company with the shareholders as the owners of the Company.

All directors are required to:

- Exercise prudent and effective controls which enable risk to be assessed and managed to achieve continued prosperity to the company;
- Be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- Determine the Company's strategic aims and the organizational structure;
- Regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- Acquire a broad knowledge of the business of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the Company;
- Allocate sufficient time to perform their responsibilities; and
- Regularly attend meetings of the board.

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

### *Principles 1 and 4: The board - continued*

In terms of Listing Rules 5.117 – 5.134 the board has established an Audit committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit committee has a direct link to the board and is represented by the Chairman of the Audit committee in all board meetings.

### *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.

The Chairman is responsible to:

- Lead the Board and set its agenda;
- Ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company;
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the board for discussion of complex or contentious issues.

### *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.

For the purpose of Listing Rules 5.118 and 5.119, the non-executive directors are deemed independent. The board believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.



## **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 as required.

### *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 period under review, the committee met five times. The internal and external auditors were invited to attend these meetings.

Mr Frank Xerri de Caro, a non-executive director, acts as Chairman, whilst Mr Joseph Fenech, Dr Joseph J. Vella and Mr Mario P. Galea 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 Mario P. Galea 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.

In the period under review the Audit committee oversaw the implementation of the necessary measures to ensure compliance in terms of the Market Abuse Directive and Regulations which came into effect in 2016. The board of directors approved the new terms of reference of the Audit committee, bringing them in line with both the changes in the Listing Rules, as well as best international practice.

Pursuant to Articles 16 and 17 of Title III of the provisions of the Statutory Audit Regulations the Audit committee has been entrusted with overseeing the process of appointment of the statutory auditors or audit firms.

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

### *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. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, the Company seeks to address the diverse information needs of its bondholders and investors by providing the market with regular, timely, accurate, comparable and comprehensive information.

### *Principle 10: Institutional shareholders*

The Company ensures that it is constantly in close touch with its principal institutional investors. The Company is aware that institutional investors who are mainly bondholders have the knowledge and expertise to analyse market information and make their independent and objective conclusions of the information available.

Institutional investors are expected to give due weight to relevant factors drawn to their attention when evaluating the Company's governance arrangements in particular those relating to board structure and composition and departure from the Code of Corporate Governance.

### *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 bonds.

None of the other Directors of the Company have any interest in the shares of the Company or the Company's subsidiaries or investees or any disclosable interest in any contracts or arrangements either subsisting at the end of the last financial year or entered into during this financial year.

### *Principle 12: Corporate social responsibility*

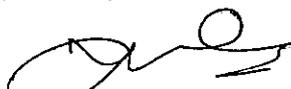
The Company understands that it has an obligation towards society at large to put into practice sound principles of Corporate Social Responsibility (CSR). This responsibility is carried out by its parent company, CPHCL.

## **NON-COMPLIANCE WITH THE CODE**

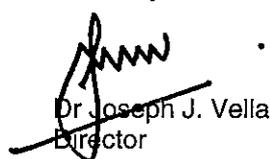
### *Principle 7: Evaluation of the board's performance*

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 26 June 2019 and signed on its behalf by:



Mr 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 provided its parent company, Corinthia Palace Hotel Company Limited with loans, the funds of which were obtained through bonds issued on the Malta Stock Exchange.

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 26 June 2019 by:



Mr 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 the 14-month period ended 28 February 2019, including those for membership of board committee, are:

|                        |       |
|------------------------|-------|
|                        | €     |
| Mr Joseph Fenech       | 7,000 |
| Dr Joseph J Vella      | 5,833 |
| Mr Frank Xerri de Caro | 5,833 |
| Mr Mario P. Galea      | 5,833 |

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

  
Mr Joseph Fenech  
Chairman

  
Dr Joseph J. Vella  
Director

## 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 financial period ended 28 February 2019

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 – a division of MeDirect Bank (Malta) plc 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 amounts to €1,581,697 and that such balance is in accordance 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 - Corporate Finance) for and on behalf of  
**Charts - a division of MeDirect Bank (Malta) plc**  
as Custodian

12 March 2019



## *Independent auditor's report*

To the Shareholders of Corinthia Finance p.l.c.

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- Corinthia Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 28 February 2019, and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

#### **What we have audited**

Corinthia Finance p.l.c.'s financial statements, set out on pages 20 to 36, comprise:

- the statement of total comprehensive income for the period from 1 January 2018 to 28 February 2019;
- the statement of financial position as at 28 February 2019;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).



## Independent auditor's report - continued

To the Shareholders of Corinthia Finance p.l.c.

The non-audit services that we have provided to the company, in the period from 1 January 2018 to 28 February 2019, are disclosed in note 6 to the financial statements.

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### Our audit approach

#### Overview



Overall materiality: €498,000, which represents 1% of total assets

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Recoverability of balance with parent company

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The main purpose of the company is the financing of the Corinthia group. The company is financing these loans through bond offerings on the local market. The repayment of these bonds to the investors is guaranteed by Corinthia Palace Hotel Company Limited as disclosed in note 14 to the financial statements. The company facilitates the Corinthia group in its financing activities for which it receives a margin.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



## Independent auditor's report - continued

To the Shareholders of Corinthia Finance p.l.c.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

|  |  |
|--|--|
| <b>Overall materiality</b>                             | €498,000 (2017: €498,000)  |
| <b>How we determined it</b>                            | 1% of total assets   |
| <b>Rationale for the materiality benchmark applied</b> | We chose total assets as the benchmark because in our view, this benchmark is an appropriate measure for this type of entity. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards. |

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €49,800 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter   | How our audit addressed the Key audit matter   |
|--|--|
| <p><i>Recoverability of balance with parent company</i></p> <p>Loans and receivables include loan balances with the parent company, Corinthia Palace Hotel Company Limited amounting to €45,870,000 as at 28 February 2019.</p> <p>As explained in accounting policy note 3.4, the recoverability of the loans is assessed at the end of each financial year.</p> <p>The loans represent the principal asset of the company, which is why we have given additional attention to this area.</p> | <p>We have agreed the terms surrounding the loans to supporting loan agreements and agreed outstanding balances as at period end with results of procedures carried out at a Group level.</p> <p>We have assessed the financial soundness of the parent company, Corinthia Palace Hotel Company Limited, which is also the guarantor of the company's bonds. In doing this, we made reference to the management accounts for the current year, the audit procedures carried out on the consolidated financial statements of the Group, cash flow projections, forecasts and other prospective information.</p> <p>Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.</p> |



## *Independent auditor's report - continued*

To the Shareholders of Corinthia Finance p.l.c.

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### *Other information*

The directors are responsible for the other information. The other information comprises the Directors' report, Statement by the directors on the financial statements, other disclosures in terms of listing rules and other information included in the annual report and Remuneration statement (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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### *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.



## *Independent auditor's report - continued*

To the Shareholders of Corinthia Finance p.l.c.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## *Independent auditor's report - continued*

To the Shareholders of Corinthia Finance p.l.c.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### *Report on other legal and regulatory requirements*

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#### *Report on the statement of compliance with the Principles of Good Corporate Governance*

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance 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.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance 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 Statement of Compliance 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 Statement of Compliance set out on pages 5 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



## *Independent auditor's report - continued*

To the Shareholders of Corinthia Finance p.l.c.

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### *Other matters on which we are required to report by exception*

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - 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.

### **Appointment**

We were first appointed as auditors of the Company on 20 July 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years.

### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in blue ink, appearing to read 'Simon Flynn', is written over a faint blue line.

Simon Flynn  
Partner

26 June 2019

## Statement of total comprehensive income

|   | Notes | Period from<br>1 January 2018 to<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|---|-------|---|--|
| Finance income  | 5     | 2,636,812   | 2,232,846  |
| Finance costs   | 5     | (2,508,333)   | (2,150,000)  |
| Net interest earned   |       | <b>128,479</b>  | 82,846   |
| Administrative expenses   | 6     | (51,735)  | (42,986)   |
| Realised gains on disposal of investments                       |       | -   | 4,689  |
| Profit before tax   |       | <b>76,744</b>   | 44,549   |
| Tax (expense) / income  | 7     | (22,160)  | 90   |
| Profit for the period / year                                    |       | <b>54,584</b>   | 44,639   |
| <b>Other comprehensive income</b>                               |       |   |  |
| Items that may be reclassified subsequently to profit or loss   |       |   |  |
| Available-for-sale financial assets:                            |       |   |  |
| - fair value losses   |       | -   | (6,795)  |
| - reclassification adjustments to profit and loss upon disposal |       | -   | (4,689)  |
| Other comprehensive income for the period / year                |       | -   | (11,484)   |
| <b>Total comprehensive income for the period / year</b>         |       | <b>54,584</b>   | <b>33,155</b>  |

The notes on pages 24 to 36 are an integral part of these financial statements.

## Statement of financial position

|                                     | Notes | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|-------------------------------------|-------|--------------------------|--------------------------|
| <b>ASSETS</b>                       |       |                          |                          |
| <b>Non-current</b>                  |       |                          |                          |
| Loans owed by parent company        | 8     | 45,870,000               | 46,460,000               |
| Other non-current financial assets  | 9     | 1,581,697                | 1,061,717                |
| Deferred tax asset                  | 10    | -                        | 1,967                    |
| Total non-current assets            |       | <u>47,451,697</u>        | <u>47,523,684</u>        |
| <b>Current</b>                      |       |                          |                          |
| Receivables                         | 11    | 2,394,015                | 2,250,490                |
| Other financial assets              |       | 20,150                   | 36,900                   |
| Cash and cash equivalents           | 12    | 19,374                   | 10,650                   |
| Total current assets                |       | <u>2,433,539</u>         | <u>2,298,040</u>         |
| <b>Total assets</b>                 |       | <u><b>49,885,236</b></u> | <u>49,821,724</u>        |
| <b>EQUITY</b>                       |       |                          |                          |
| Share capital                       | 13    | 250,000                  | 250,000                  |
| Retained earnings                   |       | 94,433                   | 129,849                  |
| Total equity                        |       | <u>344,433</u>           | <u>379,849</u>           |
| <b>Non-current liabilities</b>      |       |                          |                          |
| Bonds in issue                      | 14    | 47,500,000               | 47,500,000               |
| Total non-current liabilities       |       | <u>47,500,000</u>        | <u>47,500,000</u>        |
| <b>Current liabilities</b>          |       |                          |                          |
| Payables                            | 15    | 2,040,803                | 1,941,875                |
| Total liabilities                   |       | <u>49,540,803</u>        | <u>49,441,875</u>        |
| <b>Total equity and liabilities</b> |       | <u><b>49,885,236</b></u> | <u>49,821,724</u>        |

The notes on pages 24 to 36 are an integral part of these financial statements.

The financial statements on pages 20 to 36 were approved by the board of directors, authorised for issue on 26 June 2019 and signed on its behalf by:

  
Mr Joseph Fenech  
Chairman

  
Dr Joseph J. Vella  
Director

**Statement of changes in equity**

|   | Share capital<br>€ | Investment<br>revaluation<br>reserve<br>€ | Retained<br>earnings<br>€ | Total<br>€     |
|---|--------------------|---|---------------------------|----------------|
| At 1 January 2017                         | 250,000            | 11,484                                    | 85,210                    | 346,694        |
| <b>Comprehensive income:</b>              |                    |   |                           |                |
| Profit for the year                       | -                  | -   | 44,639                    | 44,639         |
| Other comprehensive income                | -                  | (11,484)                                  | -                         | (11,484)       |
| Total comprehensive income for the year   | -                  | (11,484)                                  | 44,639                    | 33,155         |
| <b>At 31 December 2017</b>                | <b>250,000</b>     | <b>-</b>                                  | <b>129,849</b>            | <b>379,849</b> |
| At 1 January 2018 as previously reported  | 250,000            | -   | 129,849                   | 379,849        |
| Impact of the adoption of IFRS 9 (Note 8) | -                  | -   | (90,000)                  | (90,000)       |
| At 1 January 2018 as restated             | 250,000            | -   | 39,849                    | 289,849        |
| <b>Comprehensive income:</b>              |                    |   |                           |                |
| Profit for the period                     | -                  | -   | 54,584                    | 54,584         |
| Total comprehensive income for period     | -                  | -   | 54,584                    | 54,584         |
| <b>At 28 February 2019</b>                | <b>250,000</b>     | <b>-</b>                                  | <b>94,433</b>             | <b>344,433</b> |

The notes on pages 24 to 36 are an integral part of these financial statements.

## Statement of cash flows

|  | Notes | Period from<br>1 January 2018<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|--|-------|--|--|
| <b>Cash flows from operating activities</b>                  |       |  |  |
| Cash used in operating activities                            | 16    | (86,674)   | (63,663)   |
| Tax paid   |       | (3,526)  | (1,877)  |
| Net cash used in operating activities                        |       | <u>(90,200)</u>  | <u>(65,540)</u>  |
| <b>Cash flows from investing activities</b>                  |       |  |  |
| Proceeds from repayment of loans owed by parent company      |       | 500,000  | 420,000  |
| Interest received  |       | 2,248,924  | 2,219,695  |
| Deposits into bond redemption sinking fund                   |       | (500,000)  | (420,000)  |
| Net cash generated from investing activities                 |       | <u>2,248,924</u>   | <u>2,219,695</u>   |
| <b>Cash flows from financing activities</b>                  |       |  |  |
| Interest paid  |       | (2,150,000)  | (2,150,000)  |
| Net cash used in financing activities                        |       | <u>(2,150,000)</u>   | <u>(2,150,000)</u>   |
| <b>Net change in cash and cash equivalents</b>               |       | <b>8,724</b>   | <b>4,155</b>   |
| <b>Cash and cash equivalents at beginning of period/year</b> |       | <b>10,650</b>  | <b>6,495</b>   |
| <b>Cash and cash equivalents at end of period/year</b>       | 12    | <b>19,374</b>  | <b>10,650</b>  |

The notes on pages 24 to 36 are an integral part of these financial statements.

## 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. The Board approved a change of year end to February; therefore these financial statements have been prepared for a fourteen month period from 1<sup>st</sup> January 2018 to 28<sup>th</sup> February 2019 whereas the comparatives have been prepared for a twelve month period from 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017.

In 2018, the company applied the following standards that are mandatory for the company's accounting period beginning on 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

Following the adoption of IFRS 9, the company had to change its accounting policies and make certain retrospective adjustments. This is disclosed in Note 8. The adoption of IFRS 15 did not have any impact on the amounts recognised in prior periods and are not expected to affect the current or future periods.

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 2018. 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 Company's financial statements in the period of initial application.

### **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 fair value. Amounts disclosed as revenue are interest income from loans and other financial assets.

##### **3.2.1 Finance income / cost**

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

Finance cost is reported on an accrual basis using the effective interest method.

#### **3.3 Administrative expenses**

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

#### **3.4 Financial assets**

##### **3.4.1 Classification**

From 1 January 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

### 3. Summary of accounting policies - continued

#### 3.4.2 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.

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

#### 3.4.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), 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.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company's debt instruments principally comprise loans and advances to other undertakings.

The Company classifies its debt instruments using the following measurement category:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

#### 3.4.4 Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer to Note 8 for further details.

### 3.5 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. 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 in profit or loss and would be subsequently measured at fair value. The Group 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. Summary of accounting policies - continued**

**3.6 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 current laws of Malta adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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.

**3.7 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions.

**3.8 Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**3.9 Payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. 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.

**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 Company'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 not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

With the adoption of IFRS 9 'Financial Instruments' as from 1st January 2018, the Company reviewed the risks associated with its loans receivable from its Parent Company Corinthia Palace Hotel Company Limited and in view of the latter's history, prudent gearing ratio and level of reserves, it applied judgement in determining the appropriate expected credit loss provision.

**5. Finance income and finance costs**

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

|  | Period from<br>1 January 2018<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|--|--|--|
| Interest charged on loans owed by parent company | 2,613,306  | 2,220,320  |
| Others   | 23,506   | 12,526   |
| <b>Finance income</b>                            | <b>2,636,812</b>   | <b>2,232,846</b>   |
| Interest on bonds                                | 2,508,333  | 2,150,000  |
| <b>Finance costs</b>                             | <b>2,508,333</b>   | <b>2,150,000</b>   |

**6. Expenses by nature**

|                         | Period from<br>1 January 2018<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|-------------------------|--|--|
| Directors' remuneration | 24,500   | 26,000   |
| Other expenses          | 27,235   | 16,986   |
|                         | <b>51,735</b>  | <b>42,986</b>  |

**Auditor's fees**

Fees charged by the auditor for services rendered during the financial period ended 28 February 2019 relate to the following:

|                         | Period from<br>1 January 2018<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|-------------------------|--|--|
| Annual statutory audit  | 9,250  | 9,000  |
| Tax compliance services | 500  | 500  |
|                         | <b>9,750</b>   | <b>9,500</b>   |

## 7. Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2017: 35%) and the tax expense actually recognised in the statement of total comprehensive income can be reconciled as follows:

|   | Period from<br>1 January 2018<br>to<br>28 February 2019<br>€ | Year from<br>1 January 2017<br>to<br>31 December 2017<br>€ |
|---|--|--|
| Profit before tax                                 | 76,744   | 44,549   |
| Tax on profit at 35%                              | (26,860)   | (15,592)   |
| Tax effect of:                                    |  |  |
| Income subject to a different rate of tax         | 4,700  | 2,505  |
| Gain from disposal of investments                 | -  | 1,641  |
| Under provision of deferred tax in previous years | -  | 11,550   |
| Other differences                                 | -  | (14)   |
| Actual tax (expense) / income                     | (22,160)   | 90   |
| Comprising:                                       |  |  |
| Current tax                                       | (20,193)   | (1,877)  |
| Deferred tax (Note 11)                            | (1,967)  | 1,967  |
|   | (22,160)   | 90   |

## 8. Loans owed by parent company

|         | Security | Interest rate | Repayable by  | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|---------|----------|---------------|---------------|--------------------------|--------------------------|
| Loan V  | None     | 6.40%         | 14 March 2022 | 5,960,000                | 6,460,000                |
| Loan VI | None     | 4.45%         | 5 April 2026  | 39,910,000               | 40,000,000               |
|         |          |               |               | 45,870,000               | 46,880,000               |

Loan V is to be fully repaid by 14 March 2022, however it is subject to earlier pre-payment, if the early redemption option is exercised between 30 March 2019 and 29 March 2022. During the period under review, the parent company repaid €500,000 in line with the loan agreement. Loan VI is to be fully repaid by 5 April 2026.

With the adoption of IFRS 9 'Financial Instruments' as from 1st January 2018, the Company reviewed the risks associated with its loans receivable from its parent and in view of the latter's history, prudent gearing ratio and level of reserves, it applied judgement in determining an appropriate expected credit loss provision of €90,000, taking cognisance of the performing status of these assets. IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new classification and impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

**8. Loans owed by parent company - continued**

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 fair value of Loan V is €5,992,000 and the fair value of Loan VI is €41,441,000.

**9. Other non-current financial assets**

Other non-current financial assets comprise interest-bearing bank accounts held by custodians for bond redemption sinking fund purposes.

The Company had undertaken to build up a sinking fund for the €40 million 6.25% bonds that early matured in 2016 and for the €7.5 million 6% bonds maturing in 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.

In 2016, the sinking fund relating to the €40 million 6.25% bonds which early matured in 2016 was liquidated except for a balance equivalent to 50% of the capital withheld subject to causa mortis. This is classified as current, under other financial assets.

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

|  | 28 February<br>2019 | 31 December<br>2017 |
|--|---------------------|---------------------|
|  | €                   | €                   |
| Financial assets measured at amortised cost: |                     |                     |
| - Interest-bearing bank accounts             | 1,581,697           | 1,061,717           |
|  | 1,581,697           | 1,061,717           |

On 31 December 2018, the company transferred an additional €500,000 into the sinking fund.

**10. Deferred tax asset**

The deferred tax asset as at 31 December 2017 arising from unrealised tax losses, was reversed during the current period.

**11. Receivables**

|                                | 28 February<br>2019 | 31 December<br>2017 |
|--------------------------------|---------------------|---------------------|
|                                | €                   | €                   |
| <b>Current</b>                 |                     |                     |
| Amounts owed by parent company | 344,370             | 590,403             |
| Accrued interest income        | 2,047,976           | 1,660,087           |
| Prepayments                    | 1,669               | -                   |
|                                | 2,394,015           | 2,250,490           |

**11. Receivables - continued**

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:

|              | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|--------------|--------------------------|--------------------------|
| Cash at bank | 19,374                   | 10,650                   |

**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.

|  | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|--|--------------------------|--------------------------|
| <b>Shares issued and fully paid</b><br>250,000 ordinary shares of € 1 each | 250,000                  | 250,000                  |
| <b>Shares authorised</b><br>2,500,000 ordinary shares of € 1 each          | 2,500,000                | 2,500,000                |

**14. Bonds in issue**

|         | Interest rate | Repayable by  | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|---------|---------------|---------------|--------------------------|--------------------------|
| Bond IV | 6.00%         | 29 March 2022 | 7,500,000                | 7,500,000                |
| Bond V  | 4.25%         | 12 April 2026 | 40,000,000               | 40,000,000               |
|         |               |               | 47,500,000               | 47,500,000               |

**14. Bonds in issue - continued**

The prospectus for bond issue IV allows 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 IV is between 30 March 2019 and 29 March 2022.

The bond issue costs on the bonds have been borne by the parent company. 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 28 February 2019 for Bond IV was €100 (as at 31 December 2017: €103.5) and Bond V was €105 (as at 31 December 2017: €104).

**15. Payables**

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

|                                    | <b>28 February</b> | <b>31 December</b> |
|------------------------------------|--------------------|--------------------|
|                                    | <b>2019</b>        | <b>2017</b>        |
|                                    | <b>€</b>           | <b>€</b>           |
| <b>Current</b>                     |                    |                    |
| Accrued interest on bonds in issue | 1,922,639          | 1,564,306          |
| Other accruals                     | 22,968             | 13,765             |
| Other payables                     | 95,196             | 363,804            |
|                                    | <b>2,040,803</b>   | <b>1,941,875</b>   |

The carrying value of these 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:

|                                | <b>28 February</b> | <b>31 December</b> |
|--------------------------------|--------------------|--------------------|
|                                | <b>2019</b>        | <b>2017</b>        |
|                                | <b>€</b>           | <b>€</b>           |
| Operating profit               | 76,744             | 44,549             |
| Adjustments:                   |                    |                    |
| Interest income                | (2,636,812)        | (2,232,846)        |
| Interest expense               | 2,508,333          | 2,150,000          |
| Other adjustments              | (19,980)           | 26,537             |
| Changes in working capital:    |                    |                    |
| Change in receivables          | 261,114            | 336,613            |
| Change in payables             | (276,073)          | (388,516)          |
| <b>Cash used in operations</b> | <b>(86,674)</b>    | <b>(63,663)</b>    |

**18. Financial instruments risk - continued**

*18.1 Credit risk - continued*

|  | Notes | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|--|-------|--------------------------|--------------------------|
| <b>Financial assets at amortised cost – carrying amounts</b> |       |                          |                          |
| Loans owed by parent company                                 | 9     | 45,870,000               | 46,460,000               |
| Other long-term financial assets                             | 10    | 1,581,697                | 1,061,717                |
| Receivables  | 11    | 2,412,496                | 2,287,390                |
| Cash and cash equivalents                                    | 12    | 19,374                   | 10,650                   |
|  |       | <b>49,883,567</b>        | <b>49,819,757</b>        |

The Company does not have significant exposure with respect to loans and receivables since the major debtor is the parent company. With the adoption of IFRS 9 'Financial Instruments' as from 1st January 2018, the Company reviewed the risks associated with its loans receivable from its parent and in view of the latter's history, prudent gearing ratio and level of reserves, it applied judgement in determining an appropriate expected credit loss provision of €90,000.

The other long-term financial assets are held under custodianship with a reputable local institution 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.

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. Liquidity needs for 6 monthly and yearly periods are identified on a monthly basis.

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.

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

|                            | Current                 |                        | Non-current          |                            |
|----------------------------|-------------------------|------------------------|----------------------|----------------------------|
|                            | within 6<br>months<br>€ | 6 to 12<br>months<br>€ | 1 to 5<br>years<br>€ | later than<br>5 years<br>€ |
| <b>28 February 2019</b>    |                         |                        |                      |                            |
| Bonds in issue             | -                       | -                      | 7,500,000            | 40,000,000                 |
| Interest on bonds in issue | 2,150,000               | -                      | 8,150,000            | 5,100,000                  |
| Payables                   | 118,164                 | -                      | -                    | -                          |
|                            | <b>2,268,164</b>        | <b>-</b>               | <b>15,650,000</b>    | <b>45,100,000</b>          |

## 17. Related party transactions

*The Company's related parties include its parent company, fellow subsidiaries, key management personnel (the directors) and all other parties forming part of 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 8 and 11.

### *17.3 The individual Directors' holdings in the bonds were as follows:*

As at 28 February 2019, Mr Frank Xerri De Caro held 11,700 units in the € 40 million bond and 10,000 units in the € 7.5 million bond.

As at 28 February 2019, Mr Joseph J. Vella held 28,000 units in the € 40 million bond.

As at 28 February 2019, Mr Joseph Fenech held 73,400 units in the € 40 million bond and 24,000 units in the € 7.5 million bond.

## 18. Financial instruments risk

### Risk management objectives and policies

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

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

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

### *18.1 Credit risk*

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

**18. Financial instruments risk – continued**

*18.2 Liquidity risk - continued*

| <b>31 December 2017</b>    | <b>Current</b>                   |                                 | <b>Non-current</b>            |                                     |
|----------------------------|----------------------------------|---------------------------------|-------------------------------|-------------------------------------|
|                            | <b>within 6<br/>months<br/>€</b> | <b>6 to 12<br/>months<br/>€</b> | <b>1 to 5<br/>years<br/>€</b> | <b>later than<br/>5 years<br/>€</b> |
| Bonds in issue             | -                                | -                               | 7,500,000                     | 40,000,000                          |
| Interest on bonds in issue | 2,150,000                        | -                               | 8,600,000                     | 6,800,000                           |
| Payables                   | 387,138                          | -                               | -                             | -                                   |
|                            | <b>2,537,138</b>                 | <b>-</b>                        | <b>16,100,000</b>             | <b>46,800,000</b>                   |

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 instruments 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:

|  | Notes | 28 February<br>2019<br>€ | 31 December<br>2017<br>€ |
|--|-------|--------------------------|--------------------------|
| <b>Financial assets measured at amortised costs</b>      |       |                          |                          |
| Non-current  |       |                          |                          |
| - Loans owed by parent company                           | 9     | 45,870,000               | 46,460,000               |
| - Interest-bearing bank accounts                         | 10    | 1,581,697                | 1,061,717                |
| Current  |       |                          |                          |
| - Receivables  | 12    | 2,412,497                | 2,287,390                |
| - Cash and cash equivalents                              | 13    | 19,374                   | 10,650                   |
|  |       | <b>49,883,568</b>        | <b>49,819,757</b>        |
| <b>Financial liabilities measured at amortised costs</b> |       |                          |                          |
| Non-current  |       |                          |                          |
| - Bonds in issue   | 15    | 47,500,000               | 47,500,000               |
| Current  |       |                          |                          |
| - Payables   | 16    | 2,040,803                | 1,951,444                |
|  |       | <b>49,540,803</b>        | <b>49,451,444</b>        |

**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 for issue of these financial statements.

**21. Comparative information**

The Board approved a change of year end to end of February; therefore, these financial statements have been prepared for a period of 14 months from 1 January 2018 to 28 February 2019. The comparative financial statements have been prepared for a period of 12 months ended 31 December 2017.