Corinthia Finance p.l.c.

Annual Report & Financial Statements

31 December 2010

Company Registration Number: C 25104

Contents

Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 31 December 2010.

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 €18,300.

The Company's financial position at 31 December 2010 is set out on page 13 of the financial statements.

Going concern

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

Principal risks and uncertainties faced by the Company

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

Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 18 April 2011 by the board.

Disclosure of information to auditors

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 auditors in connection with preparing their report of which the independent auditors are 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 auditors in connection with preparing their report and to establish that the independent auditors are aware of that information.

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

18 April 2011

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 18 April 2011 by:

Joseph Fenech
Chairman

Dr 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 2010, 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 twice in the course of 2010 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 2010.

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 5.115 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 2010. 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 18 April 2011 and signed on its behalf by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Dr Joseph J Vella
Director

Shareholders register information

Pursuant to Listing Rule 5.70.1

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 5.64.3

Shareholders holding 5% or more of the share capital at 31 December 2010:

	2010		2009	
	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 2010	Total shareholders at 31 December 2009
1 to 1000	1	1
1001 to 5000	-	-
5001 and over	1	1
	2	2

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 18 April 2011.

Other disclosures in terms of listing rules

Pursuant to Listing Rule 5.64.1

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 2010, 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 5.70.1

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 5.70.2

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 18 April 2011 by:

Frank Xerri de Caro
Director and Chairman of Audit Committee

Dr Joseph J Vella
Director

Report of the independent auditors to the shareholders

Pursuant to Listing Rule 5.98 by the Listing Authority

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

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

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

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

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

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre
Tower Street
Swatar BKR 3013

18 April 2011

Income statement

	Notes	2010 €	2009 €
Finance income	5	3,588,842	3,434,431
Finance costs	5	(3,527,524)	(3,391,963)
Administrative expenses		(33,164)	(35,666)
Profit before tax	6	**28,154**	**6,802**
Tax expense	7	(9,854)	(2,381)
Profit for the year		**18,300**	**4,421**

Balance sheet

	Notes	2010	2009
		€	€
Assets			
Non-current			
Loans owed by parent company	8	54,667,365	39,667,365
Current			
Loans owed by parent company	8	-	13,850,000
Trade and other receivables	9	1,173,364	1,963,707
Current tax asset		-	5,490
Cash and cash equivalents	10	91,777	60,976
		1,265,141	**15,880,173**
Total assets		55,932,506	55,547,538
Equity			
Share capital	11	232,937	232,937
Retained earnings		26,359	8,059
Total equity		**259,296**	**240,996**
Liabilities			
Non current			
Bonds in issue	12	54,644,885	39,644,885
Current			
Bonds in issue	12	-	14,255,711
Trade and other payables	13	1,019,791	1,405,946
Current tax liability		8,534	-
		1,028,325	**15,661,657**
Total liabilities		55,673,210	55,306,542
Total equity and liabilities		55,932,506	55,547,538

The financial statements on pages 12 to 25 were approved by the board of directors, authorised for issue on 18 April 2011 and signed on its behalf by:

Joseph Fenech
Chairman

Dr Joseph J Vella
Director

Statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
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**
1 January 2010	232,937	8,059	240,996
Profit for the year	-	18,300	18,300
At 31 December 2010	**232,937**	**26,359**	**259,296**

Statement of cash flows

	Notes	2010 €	2009 €
Operating activities			
Profit before tax		28,154	6,802
Adjustments	14	(61,318)	(42,468)
Net changes in working capital	14	36,445	41,399
Tax refunded		4,433	7,322
Tax paid		(263)	(3,438)
Net cash from operating activities		**7,451**	**9,617**
Investing activities			
Proceeds from repayment of loans advanced to parent company		13,850,000	19,365,712
Loan advanced to parent company		(15,000,000)	(25,000,000)
Interest received		4,379,179	3,147,698
Net cash from/(used in) investing activities		**3,229,179**	**(2,486,590)**
Financing activities			
Proceeds from bond issue		15,000,000	25,000,000
Payments for the redemption of bonds		(14,273,707)	(19,366,914)
Interest paid		(3,932,122)	(3,124,210)
Net cash (used in)/from financing activities		**(3,205,829)**	**2,508,876**
Net change in cash and cash equivalents		**30,801**	**31,903**
Cash and cash equivalents, beginning of year		60,976	29,073
Cash and cash equivalents, end of year	10	**91,777**	**60,976**

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 considered the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board (IASB), which became effective from 1 January 2010 and which may be relevant to the company:

- *Improvements to IFRSs 2009*

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 note 3.2.

Certain new standards, amendments and interpretations to IFRS issued but not yet effective are considered briefly in note 3.3.

3.2 Adoption of Improvements to IFRSs 2009 (Issued in April 2009)

The *Improvements to IFRSs 2009* made several minor amendments to IFRSs. None of the amendments is relevant to the company.

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

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:

	2010 €	2009 €
Interest charged on loan to parent company	3,588,809	3,434,431
Others	33	-
Finance income	**2,588,842**	**3,434,431**
Interest on bonds	3,509,528	3,326,114
Amortisation of discount on issue of bonds	17,996	65,849
Finance costs	**3,527,524**	**3,391,963**

6 Profit before tax

The profit before tax is stated after charging:

	2010 €	2009 €
Directors' remuneration	18,640	18,640
Auditors' remuneration	6,900	6,500

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	2010 €	2009 €
Loan I	None	7.10%	15 March 2010	-	13,850,000
Loan II	None	6.90%	15 March 2012	14,667,365	14,667,365
Loan III	None	6.40%	7 September 2019	25,000,000	25,000,000
Loan IV	None	6.40%	7 September 2019	15,000,000	-
				54,667,365	**53,517,365**
Comprising:					
Non-current				54,667,365	39,667,365
Current				-	13,850,000
				54,667,365	**53,517,365**

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

	2010 €	2009 €
Amounts owed by parent company	73,608	453,459
Accrued interest income	1,098,736	1,509,222
Financial assets	**1,172,344**	**1,962,681**
Prepayments	1,020	1,026
	1,173,364	**1,963,707**

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:

	2010 €	2009 €
Cash at bank	91,777	60,976

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.

	2010 €	2009 €
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	2010 €	2009 €
Bond I	8 April 2010	6.50%	12.1	-	14,255,711
Bond II	8 April 2012	6.75%		14,644,885	14,644,885
Bond III	23 September 2019	6.25%		40,000,000	25,000,000
				54,644,885	**53,900,596**

	2010 €	2009 €
Comprising:		
Non-current	54,644,885	39,644,885
Current	-	14,255,711
	54,644,885	**53,900,596**

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 4 March 2010, the company issued €15 million 6.25% bonds in order to redeem the 6.5% bond which matured in April 2010. This bond was merged on 24th September 2010 with the existing €25,000,000 6.25% bond 2016-2019.

12.1 Bond I

	2010 €	2009 €
Balance at 1 January	14,255,711	14,189,863
Amortisation of bond discount	17,996	65,848
Payments on maturity	(14,273,707)	-
Balance at 31 December	**-**	**14,255,711**

13 Trade and other payables

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

	2010 €	2009 €
Current		
Accrued interest on bonds in issue	908,467	1,331,061
Other accruals	9,499	9,270
Other payables	101,825	65,615
Financial liabilities	**1,019,791**	**1,405,946**

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:

	2010 €	2009 €
Adjustments:		
Interest receivable	(3,588,842)	(3,434,431)
Interest payable	3,509,528	3,326,115
Amortisation of bond discount	17,996	65,848
Total adjustments	**(61,318)**	**(42,468)**
Net changes in working capital:		
Change in trade and other receivables	6	89
Change in trade and other payables	36,439	41,310
Total changes in working capital	**36,445**	**41,399**

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 included in note 5 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	2010 €	2009 €
Classes of financial assets – carrying amounts			
Loans owed by parent company	8	54,667,365	53,517,365
Trade and other receivables	9	1,172,344	1,962,681
Cash and cash equivalents	10	91,777	60,976
		55,931,486	**55,541,022**

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 2010, the company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 Years	later than 5 years
31 December 2010	**€**	**€**	**€**	**€**
Bonds in issue	-	-	14,644,885	40,000,000
Interest on bonds in issue	494,265	2,994,265	10,494,265	10,000,000
Trade and other payables	111,324	-	-	-
	605,589	**2,994,265**	**25,139,150**	**50,000,000**

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

	Current		Non-current	
	within 6 months	6 to 12 months	2 to 5 years	later than 5 years
31 December 2009	**€**	**€**	**€**	**€**
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**

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	2010 €	2009 €
Non-current assets			
- Loans owed by parent company	8	**54,667,365**	**39,667,365**
Current assets			
- Loans owed by parent company	8	-	13,850,000
- Trade and other receivables	9	1,172,344	1,962,681
- Cash and cash equivalents	10	91,777	60,976
		1,264,121	**15,873,657**
Non-current liabilities			
Financial liabilities measured at amortised cost			
- Bonds in issue	12	**54,644,885**	**39,644,885**
Current liabilities			
Financial liabilities measured at amortised cost			
- Bonds in issue	12	-	14,255,711
- Trade and other payables	13	1,019,791	1,405,946
		1,019,791	**15,661,657**

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

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 18 April 2011 by the board.

Independent auditors' report

To the shareholders of

Corinthia Finance p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Corinthia Finance p.l.c. set out on pages 12 to 25, which comprise the balance sheet as at 31 December 2010, 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 information.

Directors' responsibility for the financial statements

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

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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386.

Report on other legal and regulatory requirements

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

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

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

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

18 April 2011

Income statement

	2010	2009
	€	€
Income		
Finance income	3,588,842	3,434,431
Expenses		
Administrative		
- Postage	2,028	1,192
- Printing and stationery	1,396	1,029
- Professional fees	1,708	4,054
- Registration fees	1,200	1,200
- Bank charges	1,022	541
- Difference on exchange	-	2,016
- Auditors' remuneration	6,900	6,500
- Directors' remuneration	18,640	18,640
- Miscellaneous	270	494
Finance costs	3,527,524	3,391,963
	3,560,688	3,427,629
Profit before taxation	28,154	6,802