CORINTHIA FINANCE plc

A member of the Corinthia Group of Companies

COMPANY ANNOUNCEMENT

The following is a Company Announcement by Corinthia Finance Plc pursuant to MFSA Listing Rules 8.5.11.3.

The consolidated financial statements for the year ended 31st December 2005 of Corinthia Palace Hotel Company Limited as guarantor of the Bond Issues of the Company have been prepared in accordance with the requirements of International Financial Reporting Standards and have been audited in accordance with International Standards on Auditing.

The Board of Directors of Corinthia Palace Hotel Company Limited has approved these consolidated financial statements, extracts of which are being presented in the attached Consolidated Financial Report.

Alfred Fabri
Company Secretary

29th June 2006

CORINTHIA PALACE HOTEL COMPANY LIMITED

Consolidated Financial Report

For the Year Ended 31 December 2005

Condensed profit and loss account - The Group

	2005 Lm000	2004 Lm000
Turnover	73,333	70,299
Net operating expenses	(68,276)	(65,488)
Other income	1,366	1,432
Difference on exchange	893	818
Impairment losses	0	(2,783)
Operating profit	7,316	4,278
Pre-operating expenses	0	(971)
Net financing costs	(8,791)	(9,226)
Share of results of associated companies	149	113
Realised deferred exchange losses	(390)	(3,449)
Loss on liquidation of investments	(4)	0
Loss on sale of investment property	(264)	0
Profit from sale of property	11,270	400
Revaluation to fair value of investment properties	10,543	0
Profit/(loss) before taxation	19,829	(8,855)
Taxation	(5,414)	3,112
Profit/(loss) after taxation	14,415	(5,743)
Minority interest	(158)	554
Profit/(loss) attributable to the Group	14,257	(5,189)
Earnings/(loss) per share	1.77	(0.65)

Condensed balance sheet - The Group

	At 31 December 2005 Lm000	At 31 December 2004 Lm000
Non current assets		
Intangible assets	41	232
Investment property	47,378	36,118
Property, plant and equipment	287,438	290,505
Financial assets	4,270	7,154
Derivative financial instruments	462	285
Cash at bank	2,000	0
	341,589	334,294
Current assets	29,345	28,027
Creditors: Amounts falling due within one year	(39,810)	(60,355)
Net current liabilities	(10,465)	(32,328)
Total assets less current liabilities	331,124	301,966
Creditors: Amounts falling due after more than one year	(171,143)	(167,058)
Provisions for liabilities and charges		
Deferred taxation	(22,915)	(22,527)
Provision for charges	(70)	(85)
	(22,985)	(22,612)
	136,996	112,296
Capital and reserves		
Called up issued share capital	8,032	8,032
Other reserves	52,242	32,259
Profit and loss account	61,041	56,151
Dividend payment reserve	695	695
	122,010	97,137
Minority interest	14,986	15,159
	136,996	112,296

Statement of changes in equity

	Total equity	Minority interest	Total	Called up issued share capital	Other reserves	Profit and loss account	Dividend payment reserve
	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000	Lm000
At 31 December 2003	95,399	18,338	77,061	8,032	12,243	56,091	695
Reversal of unrealised profits on exchange relating to previous years	0	0	0	0	(4,664)	4,664	0
Loss for the year	(5,743)	(554)	(5,189)	0	0	(5,189)	0
Dividends paid to minorities	(117)	(117)	0	0	0	0	0
Revaluation of property, plant and equipment	15,389	175	15,214	0	15,214	0	0
Impairment losses reversed	1,840	0	1,840	0	1,840	0	0
Acquisition/change in minority	0	(2,639)	2,639	0	2,639	0	0
Transfer to profit and loss account of deferred exchange difference realised upon cessation of Libya Catering Operations	3,449	0	3,449	0	3,449	0	0
Revaluation adjustments	(902)	0	(902)	0	(902)	0	0
Transfer to profit and loss account	0	0	0	0	(585)	585	0
Exchange translation difference	2,981	(44)	3,025	0	3,025	0	0
At 31 December 2004	112,296	15,159	97,137	8,032	32,259	56,151	695
Profit for the year	14,415	158	14,257	0	0	14,257	0
Dividends paid to minorities	(120)	(120)	0	0	0	0	0
Revaluation of property, plant and equipment	4,770	1,003	3,767	0	3,767	0	0
Impairment losses reversed	2,381	0	2,381	0	2,381	0	0
Acquisition/change in minority	0	(1,052)	1,052	0	1,052	0	0
Transfer to profit and loss account of deferred exchange difference realised upon cessation of Libya Catering Operations	390	0	390	0	390	0	0
Transfer to profit and loss account	0	0	0	0	9,367	(9,367)	0
Exchange translation difference	2,864	(162)	3,026	0	3,026	0	0
At 31 December 2005	136,996	14,986	122,010	8,032	52,242	61,041	695

Condensed cash flow statement - The Group

	2005	2004
	Lm000	Lm000
Net cash (used in)/from operating activities	**(2,559)**	6,534
Net cash from/(used in) investing activities	**14,391**	(13,760)
Net cash (used in)/from financing activities	**(5,481)**	6,247
Effects of exchange rate fluctuations on cash held	**(85)**	(67)
Net increase/(decrease) in cash and cash equivalents	**6,266**	(1,046)
Cash and cash equivalents at beginning of year	(959)	87
Cash and cash equivalents at end of year	**5,307**	(959)

Auditors' report to the members

We have audited the accompanying financial statements on pages 6 to 49. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and of its results, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 1995.

Mark Bugeja
f/Grant Thornton
Certified Public Accountants

Grant Thornton House
Princess Elizabeth Street
Ta' Xbiex MSD 11
Malta

21 June 2006

Selected Explanatory Notes

Basis of Preparation

The published figures have been extracted from the audited consolidated financial statements of Corinthia Palace Hotel Company Limited ("the Group") for the twelve month period ended 31 December 2005 and its comparative period in 2004. This report is being published in terms of Listing Rules 8.5.11.3 and 9.34 issued by the Malta Financial Services Authority.

Accounting Policies

The accounting policies adopted in the preparation of this Consolidated Financial Report for the year ended 31 December 2005 are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2004.

Review of Performance

During the year the Group's turnover increased to Lm 73.3 million from Lm 70.3 million in 2004 and this despite the fact that contrary to 2004, the 2005 turnover figures do not include the operation of the Corinthia Art Hotel in Turkey and the Industrial Catering activity in Libya. 2005 was the first full year in a long time in which the Group was able to operate without the limitations of the US Sanctions which were lifted in April 2004.

A notable feature in this year's results is the profit before tax of Lm 11.3 million registered by the Group on the sale of property in Malta. Another important profit element resulted from an uplift of Lm 10.5 million in the value of the Group's investment properties. It is also worth mentioning that in the 2004 income statement an impairment charge of Lm 2.8 million was recognized in respect of the Corinthia Lisboa Hotel in Lisbon.

The tax charge for the year principally reflects the tax impact on the disposal of the property in Malta and the deferred tax charge on the uplift in value of investment properties. It is to be noted that in 2004 the Group had recognized a deferred tax asset of Lm 2.8 million, mainly as a result of the impending disposal at a profit of the property in Malta, thereby reducing the tax charge for that year by the same amount.

All the above factors have contributed to a turnaround of Lm 19.4 million in the Group's profitability from 2004 to 2005.

State of affairs

During 2005 the Group made important progress in the re-engineering and in the reduction of its debts through bank loan re-financing arrangements and through the disposal of non-core assets. All this was aimed at addressing the working capital deficiency that stood at Lm 32.3 million at the end of 2004.

The above measures resulted in additional long-term loans being provided and longer maturities coupled with better terms of interest being concluded on existing loans. As already stated, during 2005, the Group also concluded the sale of one of its non-core assets in Malta while it also disposed of another asset, consisting of a piece of land in Turkey.

Collectively these measures contributed towards an improvement in the working capital deficiency of Lm 21.8 million. These improvements, coupled with uplifts in the values of properties through valuation exercises, and a much improved profitability position also brought about a significant improvement in the gearing ratio which went down from 66% in 2004 to 60% in 2005. The debt level, which in 2004 stood at Lm 221.6 million, reduced to Lm 203.5 million by 2005 whilst equity including minority interests at Lm 112.3 million in 2004 increased to Lm 137.0 by the end of 2005.

Outlook

In 2006 the Group will be focusing its attention on two major projects that will be undertaken in St. Petersburg, Russian Federation and in Janzour, Libya. Full funding for the Euro 75 million project in Russia has been obtained whilst the funding for the project in Libya is currently underway. The expected financial performance of these projects is very encouraging indeed given the high demand that the Group foresees for this kind of development in both countries.

During 2006 the Group also intends to continue pursuing a policy of disposal of non-core assets to strengthen its balance sheet further and to optimise the use of its resources.

Tangible Fixed Assets

Tangible fixed assets acquired during the period amounted to Lm7.85 million.

Capital Expenditure Commitments

	Lm000
Contracted for	2,251
Authorised but not yet contracted for	2,464

This Report for the Year Ended 31 December 2005 was approved by the Board of Directors on 21 June 2006.

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