FINANCIAL STATEMENTS

AS AT 31/12/2018

XENIA S.P.A.

Registered office:
Via Antonio Gramsci, 79 - 66016
GUARDIAGRELE (CH)
Share capital €1,200,000.00 fully paid

ξενία

Xenia (Greek: ξενία*, translit. xenía, meaning "guest-friendship") is the ancient Greek concept of hospitality, the generosity and courtesy shown to those who are far from home and/or associates of the person bestowing guest-friendship.*

STATEMENT OF FINANCIAL POSITION

ASSETS	notes	31/12/2018	31/12/2017
Tangible fixed assets	1	2,050,601	1,642,844
Goodwill			
Other intangible assets	2	119,384	134,089
Equity investments	3	1,209	1,209
Receivables from subsidiaries	4	511,022	511,022
Deferred tax assets	5	8,285	21,042
Other non-current assets	6	310,526	143,780
Total non-current assets		**3,001,027**	**2,453,986**
Inventory	7	25,849	3,440
Trade receivables	8	9,667,733	8,670,200
Financial receivables from subsidiaries			
Tax receivables	9	828,106	1,090,271
Other current assets	10	930,511	307,760
Cash and cash equivalents	11	2,868,491	2,287,022
		14,320,690	**12,358,693**
Assets held for sale			
Total current assets		**14,320,690**	**12,358,693**
TOTAL ASSETS		**17,321,717**	**14,812,679**

STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	notes	31/12/2018	31/12/2017
Shareholders' Equity			
Share capital		1,200,000	1,200,000
Share premium reserve			
Legal reserve		378,450	378,450
Actuarial Profit/Loss Reserve for deferred benefits plans		(74,519)	(57,572)
Other reserves		(511,750)	(1,089,106)
Profit (loss) for the year		279,368	320,355
SHAREHOLDERS' EQUITY	**13**	**1,271,549**	**752,126**
Non-current liabilities			
Post-employment benefits provision (TFR)	14	437,261	408,927
Financial payables to banks	15	273,512	390,398
Leases payable			
Other financial payables	17	58,430	17,920
Deferred tax liabilities	5	168,255	344,659
Other non-current liabilities	19	514,069	
Total non-current liabilities		**1,451,527**	**1,161,904**
Current liabilities			
Trade payables	16	11,406,726	10,201,349
Payables to subsidiaries			
Payables to banks	15	2,456,334	2,204,950
Leases payable			
Other financial payables	17	11,404	8,663
Payables to parents			
Tax payables	18	198,547	228,198
Other current liabilities	19	525,630	255,489
Total current liabilities		**14,598,641**	**12,898,648**
TOTAL LIABILITIES		**17,321,717**	**14,812,679**

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT	notes	2018	2017
Sales revenue		31,035,166	26,518,222
Change in inventories of semi-finished and finished products			
Increases in own work capitalised			
Other operating income and revenue		71,383	125,675
Total revenue	**20**	**31,106,549**	**26,643,897**
Purchases of raw materials and other various materials	21	283,843	152,439
Change in inventory of raw materials	7	(22,409)	3,412
Service costs	22	27,892,780	24,165,851
Personnel costs	23	1,616,463	1,064,004
Amortization and depreciation	24	124,766	130,783
Provisions and other write-downs	25	46,216	153,850
Other operating costs	26	554,173	292,357
Operating costs		**30,495,832**	**25,962,697**
EBIT		**610,717**	**681,201**
Borrowing costs	27	(193,469)	(183,222)
Financial income	28	25,112	18,318
Gains (Losses) on foreign exchange transactions	29	706	(3,639)
Investment write-down	3		(3,000)
Earnings before taxes		**443,066**	**509,658**
Taxes	30	163,698	189,303
Profit (loss) for the year		**279,368**	**320,355**

STATEMENT OF COMPREHENSIVE INCOME	notes	2018	2017
Profit (loss) for the year		**279,368**	**320,355**
Items that will not be reclassified subsequently to the income statement:			
Net actuarial profit/loss on defined benefit plans	13, 14	(23,642)	4,253
Tax effect		5,674	(1,021)
Albania branch currency translation reserve		717	(555)
Items that will be reclassified subsequently to the income statement:			
Items of the statement of comprehensive income - Total		**(17,251)**	**2,677**
Total comprehensive income for the year		**262,117**	**323,032**

CASH FLOW STATEMENT

CASH FLOW STATEMENT	notes		31/12/2018		31/12/2017
Cash flow from operating activities					
Profit (loss) for the year			279,368.00		320,355.00
Amortization and depreciation:			124,766.00		130,783.00
Depreciation of property, plant and equipment		*71,181.00*		*54,483.00*	
Amortization of intangible assets		*53,585.00*		*76,300.00*	
Provisions:			-		156,850.00
Increase (decrease) in provision for doubtful debts				*153,850.00*	
Investment write-downs		-		*3,000.00*	
Financial income			- 25,112.00		- 18,318.00
Capital gains (losses) on transfer of assets			- 113.00		- 6,789.00
Income taxes (excluding prepaid/deferred taxes)			320,650.00		194,883.00
Borrowing costs			193,469.00		183,222.00
Change in deferred tax assets			12,757.00		416,474.00
Change in deferred tax liabilities			- 176,404.00		- 256,489.00
Subtotal cash flow from operating activities			**729,381.00**		**1,120,971.00**
Change in trade receivables			- 997,533.00		- 569,976.00
Change in inventory			- 22,409.00		3,412.00
Change in trade payables			1,205,377.00		1,138,129.00
Change in other receivables			- 527,332.00		- 1,099,042.00
Change in other payables			433,909.00		162,258.00
Change in post-employment benefit provision (TFR)			28,334.00		18,659.00
AOther changes in networking capital					
Total cash flow from operating activities			**849,727.00**		**774,411.00**
Financial income (expense) collected (paid)			- 168,357.00		- 164,904.00
Taxed collected (paid)					
Adjustments for non-cash items with no impact on net working capital					
Net cash flow from operating activities			**681,370.00**		**609,507.00**
Cash flow from investing activities					
Purchase of property, plant and equipment			- 518,360.00		- 37,600.00
Acquisition oh patents, trademarks and other intagible assets			- 38,880.00		- 30,365.00
Sale of property, plant and equipment			39,535.00		22,000.00
Change in equity investments					-
Change in other financial assets					206,057.00
Total cash flow from investing activities			**- 517,705.00**		**160,092.00**
Cash flow fro financing activities					
Opening (Repayment) bank playables			134,498.00		- 378,273.00
Opening (Repayment) other loans			43,251.00		24,902.00
Loans to subsidiaries			-		- 283,700.00
Increase in equity			240,055.00		-
Total cash flow from financing activities			**417,804.00**		**- 637,071.00**
Change in cash and cash equivalents			**581,469.00**		**132,528.00**
Cash and cash equivalents (opening balance)			2,287,022.00		2,154,494.00
Effect of changes in foreign currency exchange rates					
Cash and cash equivalents (closing balance)			**2,868,491.00**		**2,287,022.00**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Actuarial gains/losses reserve for defined be-nefif plans	Other reserves	Profit/ (Loss) for the year	Equity
01/01/2017	**1,200,000**	**-**	**-**	**378,450**	**- 60,805**	**- 642,862**	**- 373,763**	**501,020**
Other changes							373,763	
Allocation of profit (loss) of previous year								
Roundings								
Total other changes							**373,763.00**	**373,763**
Total comprehensive income for the year								
Profit for the year						- 373,763	320,355	- 53,408
Other items of the statement of comprehensive income					3,233			3,233
Increase in revaluation reserve						164,775		164,775
Decrease for deferred taxes on revaluation reserve						- 237,256		- 237,256
Total comprehensive income for the year					**3,233**	**- 446,244**	**320,355**	**- 122,656**
31/12/2017	**1,200,000**	**-**	**-**	**378,450**	**- 57,572**	**-1.089,106**	**320,355**	**752,126**

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Actuarial gains/losses reserve for defined be-nefif plans	Other reserves	Profit/ (Loss) for the year	Equity
01/01/2018	**1,200,000**	**-**	**-**	**378,450**	**- 57,572**	**-1,089,106**	**320,355**	**752,127**
Other changes							- 320,355	
Allocation of profit (loss) of previous year								
Roundings								
Increase in shareholder contributions						257,000		
Total other changes						**257,000.00**	**-320,355.00**	**- 63,355**
Total comprehensive income for the year								
Profit for the year						320,355	279,368	599,723
Other items of the statement of comprehensive income					- 16,946			- 16,946
Increase in revaluation reserve						-		-
Decrease for deferred taxes on revaluation reserve						-		-
Total comprehensive income for the year					**- 16,946**	**320,355**	**279,368**	**582,777**
31/12/2018	**1,200,000**	**-**	**-**	**378,450**	**- 74,518**	**-511,751**	**279,368**	**1,271,549**

XENIA S.P.A.
Registered office: Via Gramsci, 79 - 66016 GUARDIAGRELE (Chieti)
Share capital €1,200,000.00 fully paid up

NOTES TO THE FINANCIAL STATEMENTS AS AT 31/12/2018

INTRODUCTION

Xenia S.p.A. (called Seneca S.p.A. until 2015) has been operating in the tourism industry since 1992. In particular, it focuses on the hotel sector offering solutions and business models for both the supply and demand sides of the sector. Today, the Company is a renowned player in the market. In 2015 - after the sale of an important business travel unit- it embarked on its own path to implement its new business plan which, over the medium term, involves establishing a new hotel group consisting of its own accommodation facilities and a distribution system for rooms and hospitality services designed for independent hotels and hotel clusters.

Since 2015, the Company has united over 900 hotels in Italy and Europe with its proprietary distribution system and has five hotels under direct management. Next year's objective is to have over 1200 hotel structures in the distribution system and to launch two more sole proprietorship hotels.

Xenia is not subject to management and coordination by dominant companies.

The Company operates through its Italian headquarters in **Guardiagrele**; it has a branch in *Tirana* (Albania), with an office in **Milan**, a subsidiary (Ltd) in **London** and through the hotels: **PHI Hotel Milano** in Milan-Baranzate; **PHI Hotel Canalgrande** in Modena; **PHI Park Hotel Alcione** in Francavilla al Mare (Chieti); **PHI Hotel Hortensis** in the Assisi area (Municipality of Cannara); **PHI Resort Coldimolino** in Gubbio (Perugia); **PHI Hotel Astoria** in Susegana (Treviso) since 1 April 2019.

These financial statements were prepared by the Board of Directors which then approved them on 15 March 2019.

In 2019, Xenia S.p.A. may publish information and data relating to its operations in the stakeholders section of www.xeniahs.com, which is where this document is published in full.

ACCOUNTING STANDARDS

The financial statements of Xenia as at 31 December 2018 have been prepared in accordance with international accounting standards IFRS, hereinafter referred to as IFRS or IAS, issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretation Committee (IFRIC) and adopted by the European Community.
The main accounting standards applied, and criteria used to prepare the Company's financial statements are shown below.

A. BASIS OF PREPARATION

These financial statements have been:

- prepared in accordance with the international accounting standards – IFRS – in effect on the date of their approval. "IFRS" means all "International Financial Reporting Standards", all "International Accounting Standards", and all interpretations approved and adopted by the European Union;

- prepared based on historical cost principle, except in the case of financial assets and liabilities which must be measured at fair value;

- prepared on a going concern basis.

The IFRSs have been consistently applied to all periods covered in this document.

B. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The form and content of the financial statements is as follows:

- The statement of financial position is presented in side-by-side sections, with separate disclosure of the assets, liabilities and equity. Assets are recognised based on their classification, as current, non-current, and held for sale; liabilities are recognised as current and non-current.

- The items of profit/loss for the year are recognised in the income statement, prepared in multi-step format, since this layout provides more reliable and more relevant information for the Company than by function, shown just before the statement of comprehensive income.

- The statement of comprehensive income is presented in a separate statement and, starting with the profit for the year, shows the other items required by IAS 1.

- The statement of changes in equity is presented stating separately the profit for the year and all income and expense not recognized in the income statement, but recognized directly in equity on the basis of specific accounting standards.

- The cash flow statement is presented using the indirect method to report cash flows from operating activities.
  With this method, profit (or loss) for the year is adjusted to the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating receipts or payments, and items of income or expense associated with investing or financing cash flows.

The statements used, as specified above, are those which best represent the Company's financial performance and standing.

These Financial Statements have been prepared in Euro, the Company's functional currency.

The amounts shown in the financial statements and in the tables included in the notes are expressed in Euro, unless otherwise indicated.

These financial statements have been audited by the independent auditors **KPMG S.p.A.**

C. RECENTLY ISSUED ACCOUNTING STANDARDS

New accounting standards, interpretations and amendments adopted by the Group

The Company has not adopted any standards, interpretations or amendments that have been issued but are not yet effective.
The nature and effects of each new standard/amendment are outlined below.

- **IFRS 15 – *Revenue from Contracts with Customers*** (issued in May 2014 and integrated with additional clarifications published in April 2016) which will replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programs*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*.
  The standard establishes a new model for revenue recognition, which applies to all contracts entered into with customers, except those within the scope of other IAS/IFRS such as leases, financial instruments and insurance contracts.
  The fundamental steps for the recognition of revenues according to the new model are:
  - identification of the contract with the client;
  - identification of the performance obligations in the contract;
  - determination of transaction price;
  - allocation of transaction price to the performance obligations in the contract;
  - the recognition of revenue when the entity satisfies a performance obligation.

  The standard applies from 1 January 2018. The amendments to IFRS 15, *Clarifications to IFRS 15 - Revenue from Contracts with Customers* were endorsed by the European Union in November 2017. The Directors decided to opt for the modified retrospective application which provides that the effects be recorded starting with the 2018 financial year, therefore without resubmitting the comparative financial data of the previous financial year. Based on the analyses conducted, the application of IFRS 15 is not expected to have a significant impact on the amounts recorded for revenues and on the relative disclosure included in the Company's financial statements, in particular considering the characteristics of the sales made by the Company, since there are no multiple deliverables, or ancillary costs incurred on sales. Lastly, most contracts end within the financial year.

- Final version of **IFRS 9 – *Financial Instruments*** (published in July 2014 and approved in November 2016).
  The document, which includes the results of the IASB draft aimed at the replacement of IAS 39,

  - introduces new requirements for the classification and measurement of financial assets and liabilities;

  - with reference to impairment, the new principle requires that the estimate of the losses on financial assets be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using supportable information, available free of charge or unreasonable effort which include historical, current and prospective data;

  - introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, the change in the method of posting forward contracts and options when included in a hedge accounting report, changes to the effectiveness test).

  The new standard must be applied to financial statements beginning on or after 1 January 2018.

  The Company opted to apply the modified retrospective method. Considering the characteristics of the financial assets and liabilities held by the Company, the new classification and measurement criteria introduced by IFRS 9 did not have a significant impact on the Company's financial statements.

- Interpretation **IFRIC 22 *"Foreign Currency Transactions and Advance Consideration"*** (published on 8 December 2016). This interpretation provides guidelines for foreign currency transactions when non-monetary prepayments or advances are recorded in the financial statements, before the recognition of the related asset, cost or revenue. IFRIC 22 is applicable starting 1 January 2018. Based on the analysis conducted, the application of IFRIC 22 did not have a significant impact on the financial statements.

- Amendment to **IFRS 2 *"Classification and measurement of share-based payment transactions"*** (published in June 2016 and approved on 26 February 2018) which provides clarifications on the accounting of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of the changes to the terms and conditions of a share-based payment which change its classification from cash-settled to based payments, the classification of share-based payments with net settlement characteristics and the accounting of the changes to the terms and conditions of a share-based payment which change its classification from cash-settled to equity-settled. The amendments apply starting on 1 January 2018. These amendments have no impact on the Company as there are no arrangements or transactions with share-based payments.

- Document "***Annual Improvements to IFRSs: 2014-2016 Cycle"***, published in December 2016 and approved on 7 February 2018 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters,* IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*) which partially supplement pre-existing standards. Most of the changes apply starting on 1 January 2018. The adoption of these amendments did not have significant effects on the financial statements.

- Amendment to **IAS 40 *"Transfers of Investment Property"*** (published in December 2016). These amendments clarify transfers of a property to, or from, investment property. These amendments are applicable starting 1 January 2018. The application of these amendments did not impact the financial statements.

Accounting standards, amendments and interpretations not yet in force

Details are provided below on the standards, interpretations and amendments endorsed by the European Union but not yet mandatorily applicable and not yet adopted early by the Company in the financial statements as at 31 December 2018.

- **IFRS 16 – *Leases*** (published in January 2016 and approved at the end of October 2017), which will replace the IAS 17 - *Leases*, as well as the IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases– Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new standard provides a new definition of lease and applies a control model (right-of-use) for the identification of leases, distinguishing between leases and service contracts on the basis of: the identification of the asset, the right to its replacement, the right to obtain substantially all economic benefits from use of the asset, and the right to direct the use of the asset underlying the contract.

The standard establishes a single model for the recognition and measurement of leases for the lessee, which provides for the recognition of the leased asset, including operating leases, or the "right of use asset", under assets, with a contra-entry of a financial payable. The new standard provides for exemptions in the case of a lease concerning low-value assets and leases with a lease term of 12 months or less.

The standard applies from 1 January 2019, although early adoption is permitted. The Company is analysing the possible impact the application of this standard could have on its financial statements.

- Interpretation document **IFRIC 23 – *Uncertainty over Income Tax Treatments*** (published in June 2017 and approved on 23 October 2018), analyses how to reflect uncertainty in tax assets and liabilities. The document specifies that tax assets or liabilities should only be reflected in the financial statements when it is likely that the entity will pay or receive the amount at issue. Furthermore, the document does not include any new disclosure requirement, but emphasizes that the entity must establish whether it is necessary to provide information on the considerations made by management concerning the uncertainty relative to the posting of the taxes, in accordance with the provisions of IAS 1.
  This document applies from 1 January 2019, but early adoption is permitted.
  The Company is evaluating the potential impact of the introduction of this interpretation on the financial statements.

- Amendment to **IFRS 9 *"Prepayment Features with Negative Compensation"*** (pubblicato in data 12 ottobre 2017 e omologato in data 22 marzo (published on 12 October 2017 and approved on 22 March 2018).
  This document specifies that instruments which provide for an advance repayment could comply with the "SPPI" ("Solely Payments of Principal and Interest") test also in the case where the "*reasonable additional compensation*" to be paid in the event of advance repayment is a "*negative compensation*" for the lender. The amendment applies from 1 January 2019, although early adoption is permitted. The Company is evaluating the potential impact of the introduction of these amendments on the financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

The competent bodies of the European Union have not yet concluded the endorsement process necessary for the adoption of the amendments and standards described below.

- Amendment to **IAS 28 *"Long-term Interests in Associates and Joint Ventures"*** (pubblicato il 12 ottobre 2017)". Tale emendamento chiarisce la necessit(published on 12 October 2017)". This amendment clarifies the need to apply IFRS 9, including the requirements tied to impairment, to other long-term interests in affiliated companies and joint ventures for which the net equity method does not apply. The amendment applies from 1 January 2019, although early adoption is permitted. The Company does not expect that the adoption of these amendments will have a significant impact on the financial statement.

- Document "***Annual Improvements to IFRSs 2015-2017 Cycle"***, published on 12 December 2017 (including IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements – Remeasurement of previously held interest in a joint operation*, IAS 12 I*ncome Taxes – Income tax consequences of payments on financial instruments classified as equity*, IAS 23 *Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation*) which implements the changes to certain principles as part of their annual improvement process. The amendments apply starting 1 January 2019, although early application is permitted. The Company is evaluating the possible effects of the introduction of these amendments on the financial statements.

- The document "***Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)***", published by IASB in February 2018, clarifies how to determine pension expenses when a defined benefit pension plan changes. The amendments apply starting on 1 January 2019. The Company is evaluating the potential impact of the introduction of these amendments on the financial statements.

- The document "***Definition of a Business (Amendments to IFRS 3)***" published by the IASB in October 2018, helps entities to determine whether it has acquired a business or a group of assets that does not satisfy the definition of a business combination under IFRS 3. The amendments will start to apply on 1 January 2020. The Company is evaluating the potential impact of the introduction of these amendments on the financial statements.

- The document "***Definition of Material (Amendments to IAS 1 and IAS 8)***" by the IASB in October 2018, clarifies the definition of "material" in order to understand what information needs to be included in the financial statements. The amendments apply starting 1 January 2020. The Company is evaluating the possible effects of the introduction of these changes on the financial statements

D. MEASUREMENT BASES

These financial statements have been prepared based on the historical cost principle, except in the cases where it is mandatory that financial assets and liabilities be measured at fair value.

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment. The cost includes any direct costs incurred to bring the underlying asset to working condition for its intended use and any cost incurred for dismantling and removing the underlying asset as a result of contractual obligations requiring that it be returned in its original state. Interest expense on loans for the acquisition of construction of property, plant and equipment are included in the cost of the relevant asset only if they are a "qualifying asset" (one that necessarily takes a substantial period of time to get ready for its intended use or sale).

Expenses for routine and/or cyclical maintenance and repairs are charged directly to the income statement, when incurred. The costs incurred for expansion, modernization or upgrade of owned or leased assets are capitalized to the extent that they meet the requirements to be classified separately as an asset or part of an asset.

Depreciation is charged using the straight-line method at rates that allow depreciation of the assets until the end of their useful life. When the asset subject to depreciation is composed of separately identifiable parts with useful lives that are significantly different than the other parts of the asset, they are depreciated separately according to the component approach.

The table below shows the useful life estimated by the Company for the various categories of assets.

• Land	indefinite useful life
• Buildings	33 years
• Miscellaneous machinery and equipment	6,66 years
• EDP equipment	10 years
• Other assets: furniture and furnishings	6,66 years
• Other assets: vehicles	4 years

Land is not depreciated.

The useful life of property, plant and equipment and their residual values are reviewed and updated, where necessary, at the time the financial statements are prepared.

Intangible assets

Intangible assets include identifiable, non-monetary assets without physical substance that are controllable and capable of generating future economic benefits. These assets are recognized at purchase and/or production cost, including any directly attributable cost of preparing the assets for their intended use, net of any accumulated amortization and any impairment losses.

Interest expense on loans for the acquisition or construction of intangible assets are included in the cost of the relevant asset only if they are a "qualifying asset" (one that necessarily takes a substantial period of time to get ready for its intended use or sale).

Amortization starts when the asset is available for use and is allocated on a systematic basis over its useful life.

The table below shows the useful life estimated by the Company for the different categories of intangible assets.

• Trademarks	10 years
• Concessions and licenses	5 years

Impairment of property, plant and equipment and intangible assets

At each reporting date, analyses are conducted in order to check for signs of impairment of property, plant and equipment and intangible assets which are not fully depreciated or amortized. If the existence of these indicators is identified, an estimate is made of the recoverable amount of the above assets, recording in the income statement any write-down compared with the carrying value reflected in the financial statements. The recoverable amount of an asset is the greater of its fair value less costs to sell, and its value in use, calculated as the current value of the asset's estimated future cash flows. For an asset that does not generate broadly independent cash flows, the realization value is determined in relation to the *cash-generating* unit to which that asset belongs. In determining the value in use, the expected future cash flows are discounted at a discount rate which reflects the current market valuation of the cost of money, considering the period of the investment and the specific risks of the asset. Impairment is recognized in the income statement when the carrying value of the asset is greater than the recoverable amount. If there is any indication that a previously recognized impairment loss no longer exists, the carrying value of the asset is reversed to the income statement, up to the net carrying value of the asset in question, that would have been determined had no impairment loss been recognised, and amortization/depreciation had been recognised.

Equity investments

Equity investments in subsidiaries and in other enterprises that are classified under non-current assets are valued at cost inclusive of any charges directly attributable to them, adjusted for impairment where applicable.

Inventory

Inventory is measured at the lower of the acquisition cost and net realisable value. The cost is calculated using the FiFo method. Obsolete and slow-moving inventories are written down based on the likelihood of them being used or sold

Loans and receivables

These include trade receivables, financial receivables and other receivables which can be qualified as financial assets. They are recorded at their nominal amount if they are close to their fair value; otherwise, they are measured at amortized cost, using the effective interest rate method. The value of loans and receivables is reduced for any impairment, determined as the difference between the carrying amount of the receivables and the present value of expected cash flows. Impairment of trade receivables are recognised in the income statement through the entry of a specific bad debt provision. Receivables are presented in the financial statements net of the bad debt provision.

Cash and cash equivalents

Cash and cash equivalents include the cash and bank and postal deposits and other equivalent values as well as investments maturing within three months after the purchase date. The items included in cash and cash equivalents are measured at fair value and the relative changes are recognised in the income statement.

Assets and liabilities classified as held for sal

Amortized non-current assets (or disposal groups) are classified as held for sale if the book value will be recovered mainly through a sales transaction rather than through continuous use. These assets are measured at the lower of the book value and fair value less costs to sell. Assets and liabilities held for sale are presented separately from the other assets and liabilities in the statement of financial position. The corresponding assets of the prior period are not reclassified.
Income from discontinued operations is presented separately on the Income Statement net of taxation.

Trade and other payables

Trade payables are recorded at nominal value if they are close to their fair value; otherwise, they are measured at amortized cost, using the effective interest rate method.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements that generated them and in accordance with the related definitions of liability and equity instruments. The latter are defined as those contracts which, net of the liability component incorporated in them, give the right to a share of the Company's assets. Details are provided below on the accounting standards adopted for specific financial liabilities.

Payables to banks and other lenders

Payables to banks, composed of long term loans, other bank overdrafts and amounts due to other lenders, including loans taken out for fixed assets purchased through leases, are recognised based on the amounts collected, net of transaction costs, and subsequently measured at amortized cost, using the effective interest rate method.

Payables to banks and other lenders are classified as current liabilities, unless the Company has the unconditional right to defer payment for at least twelve months after the reporting period.

Employee benefits

Employee benefits paid during or after termination of the employment relationship consist primarily of post-employment benefits (Trattamento di Fine Rapporto – TFR), regulated by Italian law under Article 2120 of the Italian civil code.

As regards TFR, as a result of the reform of supplementary social security, TFR accrued as from 1 January 2007 is classified as a defined contribution plan, while TFR accrued up to 31 December 2006 is classified as a defined benefit plan.

A defined contribution plan is a pension scheme based on which the Company pays fixed contributions to a separate entity. The Company has no legal or other obligations in terms of payment of additional contributions should the fund be inadequate to pay all employees the benefits due for the period of employment. The contribution obligations relating to employees for pensions or otherwise are recognised in the income statement when incurred.

Net obligations relating to defined benefit plans that employees are entitled to are calculated using actuarial techniques by estimating the amount of the future benefits that employees have accrued during current and prior periods. The benefit thus determined is discounted and recognised net of fair value of any plan assets. The calculation is made by an independent actuary. The method used by the actuary is based on valuations that reflect the average present value of the TFR obligations accrued based on the service that the worker has provided up to the valuation date. The calculation method may be broken down into the following steps:

- projection, for each employee on the payroll, of the TFR already set aside at the measurement date and future contributions, which will be accrued to the time of payment, projecting the wages of the worker.

- calculation, for each employee, of the probable TFR payments that will have to be made by the Company if the employee leaves due to dismissal, resignation, disability, death or retirement, or in the event of an advance payment request;

- discounting, at the measurement date, of each probable payment;

- recalculation, for each employee, of the probable benefits and discounted based on the length of service at the measurement date, compared with the total length of service whenever settlement takes place.

Actuarial gains and losses are recognised in the statement of comprehensive income for the period in which they are earned.

Provisions for risks and charges

Provisions for risks and charges are recorded for specific losses or liabilities that are certain or probable, the amounts and or timing of which cannot be determined accurately. They are recognized only when a current legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. This amount reflects the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material and the date of settlement can be reliably estimated, provisions are measured at the present value of the payments expected using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in value of the provision is determined by changes in the cost of money over time and is recognised as interest payable.

Risks for which the occurrence of a liability is only potential are indicated in the specific disclosure on commitments and no provision is made for them.

Revenue recognition

Revenues are measured at the price that the Company it considers entitled to in exchange for the transfer of the goods and services provided to the customer, net of returns, discounts, allowances and premiums and net of value added tax. These refer to the sale of goods and the provision of services that constitute the Company's core business.

Revenue is recognised to the extent that it is possible to establish the value on a reliable basis and it is probable that the related future economic benefit will flow to the Company.

Revenue from the provision of services is recognised in the accounting period when the Company fulfils its performance obligations, on the basis of their actual fulfilment.

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the conditions attached to them will be complied with. When grants are related to cost components, they are recognised as income but are systematically distributed over the financial years so that they are commensurate with the costs they are intended to compensate. When the grant is related to an asset, the asset and the grant are recognised at their face values and recorded in the income statement progressively over the useful life of the asset on a straight-line basis.

When a non-monetary grant is received, the asset and the grant are recognised at their nominal amount and recorded in the income statement over the useful life of the asset on a straight-line basis.

Expense recognition

Expenses for the purchase of goods or services are recognised when their amount can be reliably measured. Expenses relating to goods and services are recognised at the time of purchase or use or by systematic allocation.

Rents and operating leases are recognised in the income statement on an accrual basis.

Financial income and expenses

Financial income and expenses are recognised at the time they occur which considers the actual return/charge of the related asset/liability. Financial expenses directly attributable to the purchase, construction or production of qualifying assets of the Company are also capitalised as part of the cost of the asset, starting on the date when the Company starts to incur the costs and financing starting on and until the date when the goods financed can be used.

Taxes

Current taxes are calculated based on the taxable income for the year, applying the current tax rates in effect at the reporting date.

Deferred taxes are calculated in respect of all temporary differences arising between the taxable base of an asset or liability and the related book value. Deferred tax assets, including those relating to tax losses not offset by deferred tax liabilities, are recognised to the extent that it is likely that future taxable income will be available against which they may be recovered.

Deferred taxes are calculated using the tax rates that are expected to apply in the periods in which the differences will be realised or settled, based on the tax rates in effect or essentially in effect on the reporting date.

Current and deferred taxes are recognised in the income statement, except for those related to items charged or credited directly in shareholders' equity, in which case the respective tax impact is also recognised directly to shareholders' equity. Taxes are offset when they are applied by the same tax authority and there is a legal right to offset and payment of the net balance is expected.

Other taxes, not related to income, are included in other operating costs.

Payment of dividends

The payment of dividends to the Company's shareholders is recorded as a liability in the financial statements for the period in which payment was approved by the shareholders.

Estimates and assumptions

The preparation of the financial statements requires that the Directors apply accounting standards and methods which, under certain circumstances, are based on difficult and subjective measurements and estimates based on past experience and on assumptions considered, at various times, to be reasonable and realistic in terms of the relative circumstances and the moment they are measured. In particular, the estimates and measurements - while being based on the principles of prudence and reasonableness - also take into account studies and reasonings put forward by qualified third parties or reliable opinions including, but not limited to, Financial Newspapers; ISTAT data; Information and Notebooks of the Cassa Depositi e Prestiti; Private institutions. The use of such estimates and assumptions affects the amounts reported in the financial statements, such as the statement of financial position, the income statement and the cash flow statement, as well as the disclosures provided. The final results of the financial statement entries for which the above estimates and assumptions were used may differ from those reported in the financial statements due to the occurrence of events and the uncertainties which characterizes the assumptions and conditions on which the estimates are based.

Measurement of tangible and intangible assets
When there are indicators suggesting that the Company may not be able to recover the net book value of tangible and intangible assets with a definite useful life through use, the Company conducts specific impairment tests. The calculation of these values requires management to perform subjective evaluations based on information available within the Company and externally from the market, as well as on past experience. When a potential impairment has been identified, the Company calculates the impairment using valuation techniques deemed suitable. The correct identification of impairment indicators and the estimate of the impairment depend on factors that may vary over time, influencing the measurements and estimates made by the management.

Deferred tax assets
Deferred tax assets are accounted for based on the forecasts of expected taxable income for future years. The assessment of the expected taxable income for the purpose of recognising deferred tax assets depends on factors that may change over time and cause a significant impact on the recoverability of deferred tax assets.

FINANCIAL RISK MANAGEMENT AND IFRS 7

Market risk
This includes all risks directly or indirectly related to the fluctuation of the prices of the physical and financial markets to which Xenia S.p.A. is exposed and, specifically:

1. risk arising from the volatility of the prices of the services provided

2. foreign exchange risk

3. interest rate risk

1. Commodity price risk
Xenia is not particularly exposed to the price risk of the services provided. Most purchases are made in Euro.

2. Foreign exchange risk
Foreign exchange risks are insignificant.

3. Interest rate risk

Xenia is exposed, albeit to a limited extent, to changes in interest rates especially for borrowing costs related to medium-long term debt, since it is predominantly composed of **floating interest rate loans** (see table below).

Euro	Outstanding balance
Outstanding mortgage balance	660,981
Total outstanding balance with floating interest rate	**660,981**

In consideration of the insignificant amount of borrowings with floating interest rates, Xenia believes that there is a low risk due to change in interest rates. Furthermore, it's worth noting that the yield curve of euro-denominated borrowings as of now show no signs of volatility, due to the monetary policies adopted by the Central Banks to cope with the challenging phase of economic downturn.

Credit risk

Xenia is exposed to credit risk from potential losses arising from trade and financial counterparts failing to meet their obligations.

The main debtors - related in particular to the crew accommodation and distribution segments - are medium-large corporate and institutional companies for larger amounts and hotels for smaller amounts. All can be considered as having medium and high solvency.

This risk arises primarily from factors of a typically economic-financial nature. In other words, from the possibility that a counterparty may default, as well as from more strictly technical-commercial or administrative-legal factors.

In order to control this risk, Xenia has implemented procedures and actions to assess the credit standing of clientele, also through the use of internal procedures to assess the credit standing of clientele, to monitor the expected cash flow related thereto and possible collection actions. The policies and preliminary creditworthiness assessment tools, along with the monitoring and collection activities are differentiated based on both the different categories of clientele and the consumer groups by size.

Xenia has implemented a credit management procedure, in order to manage the credit process which involves the following steps:

1. Identification of the risk based on:
   a. analysis of economic/equity, commercial and organisational aspects of clientele
   b. collection of conduct datai

2. management:
   a. checking orders
   b. reminder and possible collection procedures

3. reporting in various forms:
   a. operations reporting
   b. performance indicators and management reporting.

The payment terms applied to the majority of the clientele, require payment within 60/90 days from the date of the invoice. Trade receivables are included in the financial statements net of any write-downs, which are recognised with a conservative approach, using different rates that reflect the various levels of underlying violation on the reporting date.

As far as the sole proprietorship hotels sector is concerned, the credit risk is insignificant given that outstanding cash payments make up a minimum part of revenues.

For further risk assessments, please see the management report attached to these financial statements.

Liquidity risk
The liquidity risk is the risk that the financial resources available to the company are not sufficient to meet the financial and commercial obligation by the established deadlines and maturities.

As regards the cash flow, the financing and liquidity needs, the objective is to have at all times the credit facilities necessary to repay the financial debt falling due within the following twelve months.

As regards the stability of the working capital and, in particular, the coverage of trade payables, the amount of the trade receivables and the terms and conditions that regulate them, though they do not yet provide an optimal ratio, tend to provide a constant positive adjustment to that balance.

The table below shows the liquidity risk connected to the financial and trade liabilities posted in the financial statements.

The loans and the other financial liabilities are included based on the first expiry date when repayment may be sought, and the financial liabilities have been considered payable at sight (worst case scenario):

2018	0-6 months	7-12 months	1-5 years	>5 years	Total
Short term bank loans	2,065,865				2,065,865
Portions of medium-long term loans	278,647	111,823			390,469
medium-long term bank loans			273,512		273,512
Other financial payables	7,416	3,988			11,404
Other medium-long term payables		58,430			58,430
Trade payables	11,406,726		-		11,406,726
Total	**13,758,654**	**174,240**	**273,512**	**-**	**14,206,406**

For further risk assessments, please see the management report attached to these financial statements.

Operational risks

Operational risks means the risk of losses or damage to the company or third parties arising from inadequate or failed procedures, or from personnel and systems, including legal risk, or from external events. These risks had no material impact on the 2018 financial statements.

For further risk assessments, please see the management report attached to these financial statements.

STATEMENT OF FINANCIAL POSITION

1) Property, plant and equipment

The table below shows the changes in property, plant and equipment for the years ended 31 December 2018 and 31 December 2017.

Description	2017 Historical cost	Increase	Decrease	Reclassification	Write-down	2018 Historical cost	2017 Accum. depr.	Depreciation	Decrease	2018 Accum. depr.	2017 Book value	2018 Book value
Land	418,081					418,081					418,081	418,081
Buildings	1,407,777	457,000				1,864,777	225,489	51,406		276,895	1,182,288	1,587,882
Land and buildings	**1,825,858**	**457,000**	**-**	**-**	**-**	**2,282,858**	**225,489**	**51,406**	**-**	**276,895**	**1,600,369**	**2,005,963**
General plants	19,651					19,651	19,651			19,651	-	-
Machinery, appliances and other equipment	40,027					40,027	37,400	535		37,935	2,627	2,092
Electrical and electronic office equipment	245,441	7,582				253,023	236,519	5,614	458	241,675	8,9221	11,348
Plants and machinery	**305,119**	**7,582**	**-**	**-**	**-**	**293,050**	**273,919**	**6,149**	**458**	**279,610**	**11,549**	**13,440**
Furniture	76,958					76,958	73,419	2,867		76,286	3,539	672
Ordinary office furniture and equipment	8,884					8,884	8,884			8,884	-	-
Vehicles	32,800	49,770	39,535	-	-	43,035	5,413	10,758	3,662	12,509	27,387	30,526
Other assets	**118,642**	**49,770**	**39,535**	**-**	**-**	**51,919**	**14,297**	**10,758**	**3,662**	**21,393**	**30,926**	**31,198**
Total property, plant and equipment	**2,249,619**	**514,352**	**39,535**	**-**	**-**	**2,627,827**	**513,705**	**68,313**	**4,120**	**577,898**	**1,642,844**	**2,050,601**

The increase was mainly due to the contribution in kind of a property by a member in the amount of €457,000.

2) Other intangible assets

The table below shows the changes in other intangible assets for the years ended 31 December 2018 and 31 December 2017.

Description	2017 Historical cost	Increase	Decrease	Reclassification	Write-down	2018 Historical cost	2017 Accum. depr.	Depreciation	Decrease	2018 Accum. depr.	2017 Book value	2018 Book value
Xenia trademark	479					479	323	24		347	156	132
UNO trademark	1,300					1,300	1,040	260		1,300	260	-
Targed Bed trademark	1,100					1,100	880	220		1,100	220	-
CED Software	320,272	32,880				353,152	234,388	35,533		269,921	85,884	83,231
Software development	534,679					534,679	499,882	13,156		513,038	34,797	21,641
Concessions, licences, trademarks and rights	**857,830**	**32,880**	**-**	**-**	**-**	**890,710**	**736,51**	**49,193**	**-**	**785,706**	**121,317**	**105,004**
Other long-term expenditures	15,965	6,000				21,965	3,193	4,393		7,586	12,772	14,379
Other intangible assets	**15,965**	**6,000**	**-**	**-**	**-**	**21,965**	**3,193**	**4,393**	**-**	**7,586**	**12,772**	**14,379**

3) Equity investments

Euro	31/12/2018	31/12/2017	Change
Subsidiaries	1,209	1,209	-
Total	**1,209**	**1,209**	**-**

The investment in the Xenia International Ltd company was not written down as we believe that the difference between the amount recorded in the financial statements and the corresponding portion of shareholders' equity is not connected to a permanent impairment.

4) Receivables from subsidiaries

Euro	31/12/2018	31/12/2017	Change
Receivables from subsidiaries	511,022	511,022	-
Total	**511,022**	**511,022**	**-**

The amount shown in the financial statements refers to loans granted to the subsidiary Xenia International Ltd in order to support its start-up phase. From the second half of 2018, as summarized in the 2018-2025 plan, the subsidiary achieved the first tangible results (30 accommodation facilities included in the distribution system and the opening of three negotiations for PHI Hotels, two of which are in the first stage of proposal and one was declined) even if the effects of Brexit slowed down activities to some extent. The plan provides for reimbursement of the loan granted with a medium/long term programme.

5) Deferred tax assets and liabilities

The table below shows the main temporary differences that led to the recognition of deferred and prepaid taxes, together with their effects.

Euro	31/12/2018	31/12/2017	Change
Carryforward tax losses	-	-	-
Other items	8,285	21,042	- 12,757
Deferred tax assets	**8,285**	**21,042**	**- 12,757**
Capital gains	170,730	341,461	- 170,731
Other items	- 2,475	3,198	- 5,673
Deferred tax liabilities	**168,255**	**344,659**	**- 176,404**

6) Other non-current assets

Other non-current assets, in the amount of €310,526 as at 31 December 2018 (vs. €143,780 as at 31/12/2017), include:

- €180,445 in financial receivables for savings policies;

- €120,000 in advance payments to suppliers;

- €10,081 in other receivables.

7) Inventory

Euro	31/12/2018	31/12/2017	Change
Hotel management goods	25,849	3,440	22,409
Total	**25,849**	**3,440**	**22,409**

Inventory consists of merchandise and consumables for the hotels.

8) Trade receivables

Trade receivables totalled €9,667,733.00 as at 31 December 2018.

Euro	31/12/2018	31/12/2017	Change
Accounts receivable	10,262,966	9,219,217	1,043,749
Provision for doubtful debt	-595,233	-549,017	-46,216
Total	**9,667,733**	**8,670,200**	**997,533**

The adjustment of the nominal value of the receivables to the estimated realisable value was obtained by means of a specific provision for doubtful debt.

The table below shows the changes in the provision for doubtful debt during the two-year period.

Euro	31/12/2018	31/12/2017
Opening balance	549,017	395,167
Provisions	46,216	153,850
Uses		
Total	**595.233**	**549.017**

There are no receivables due after more than five years.
About 67% (74% in 2017 and 82% in 2016) of the turnover is held by an institutional client with medium-high solvency.

The breakdown by region is as follows:

Euro	31/12/2018	31/12/2017
Italy	9,138,601	8,960,695
EU	1,124,365	258,522
Non-EU	-	-
Total	**595.233**	**549.017**

9) Tax receivables

Tax receivables, in the amount of €828,106 as at 31 December 2018 (vs. €1,090,270 as at 31 December 2017), are broken down below.

Euro	31/12/2018	31/12/2017	Change
Receivables from Revenue Office for withholdings	-	67	- 67
IRAP receivable		101,518	- 101,518
VAT receivable	824,429	782,008	42,421
IRES receivable	-	202,830	- 202,830
Other	3,677	3,847	- 170
Total	**828,106**	**1,090,270**	**- 262,164**

The decrease in tax receivables was mainly due to the increase in direct taxes, IRES (Corporate income tax) and IRAP (Italian regional business tax), on the one hand due to the increase in turnover and, on the other hand, the use of the tax loss carryforward from 2017.

10) Other current assets

The table below provides a breakdown of other current assets.

Euro	31/12/2018	31/12/2017	Change
Accruals	-	-	-
Prepayments	673,601	25,174	648,427
Other receivables	256,910	282,586	- 25,676
Total	**930,511**	**307,760**	**622,751**

The increase in prepayments and other receivables was essentially due to the following elements:

- one-off cost under a specific lease agreement for the business unit, related to hotel management, generated by the contract provision to take on the post-employment benefits (TFR) accrued before the effective date of the agreement and which, on the basis of correct accounting standards, was prepaid throughout the term of the lease;
- the receivable from the "Rent to buy" agreement entered into for the acquisition of property regarding the hotel located in Baranzate, for the portion of rent attributable to the purchase price component. The option needs to be exercised within 10 years from the signing of the agreement. The company started its hotel operations on 1 February 2019.

Due date	Amount
Less than 1 year	217,858
Between 1 and 5 years (31/12/2024)	129,455
Beyond 5 years	583,198
Total	**930,511**

11) Cash and cash equivalents

The table below provides a breakdown of cash and cash equivalents.

Euro	31/12/2018	31/12/2017	Change
Bank and postal deposits	2,857,364	2,217,602	347,313
Cash and equivalents in hand	11,127	69,420	234,156
Total	**2,868,491**	**2,287,022**	**581,469**

The balance represents the cash and cash equivalents as at the end of the reporting period.

Financial and investment types of transactions which did not result in a change in cash flow were excluded from the cash flow statement.

12) Reconciliation of assets resulting from financing transactions

The table below shows the changes in the financial liabilities, separating those affecting cash flow and therefore reported in the cash flow statement, in the section "cash flow from financing activities", compared to the other changes which do not entail any impact of a monetary nature.

Euro	01/01/2018	Net cash flows	Non-monetary transactions News	Non-monetary transactions Others	31/12/2018
Financial payables to bank (current and non-current)	2,595,348	134,498			2,729,846
Other financial payables	26,583	43,251			69,834
Loans payable to parents	511,022				511,022
Total	**3,132,953**	**177,749**	**-**	**-**	**3,310,702**

13) Equity

The table below provides a breakdown of the share capital and equity reserves as at 31 December 2018 and as at 31 December 2017.

Euro	31/12/2018	31/12/2017
Share capital	1,200,000	1,200,000
Revaluation reserve	326,194	326,194
Legal reserve	378,450	378,450
Other reserves:		
- Extraordinary reserve	562,307	306,577
- IAS reserve (FTA)	- 1,282,468	- 1,282,468
- Actuarial gains/losses reserve for defined benefit plans	- 74,519	- 57,572
- Reserve for exchange difference - Branch	717	- 555
Retained earnings (accumulated losses)	- 118,500	- 438,855
Profit (loss) for the year	279,368	320,355
Total	**1,271,549**	**752,126**

The balance of the "FTA IAS" reserve as at 31 December 2018, unchanged with respect to the previous financial year, stems from the transition to the IAS/IFRS international accounting standards carried out with the reporting date 1 January 2014.

The actuarial gains/losses reserve for defined benefit plans had a negative balance of €74,519 and relates to the actuarial gains and losses, provided by IAS 19R, net of the relative tax effect.

The decrease in "Retained earnings (accumulated losses)" is related to the entry of deferred taxes relating to the revaluation of the trademarks carried out in 2014, the effect of which has since ceased as a result of the transfer of the revalued trademarks during the three-year period of tax protection. Since the transaction only passed through equity at the time of registration, the related correction affected the same balance sheet items.

On 05/03/2018, shareholder Ercolino Ranieri of XENIA S.P.A., made a contribution of a building which increased equity by €257,000. As a result of that contribution and the net profit for 2017 (€320,355), the loss, pursuant to Art. 2446 of the Italian civil code of €373,763 recorded in 2016 was already largely covered in 2017.

The table below provides a breakdown of the equity items by origin, possibility of use, availability for distribution and use made in the last three accounting periods.

Euro	Amount	Possible use (*)	Amount available	Uses in past 3 period to cover losses	Uses in past 3 period to other reasons
Share capital	1,200,000				
IAS reserve	- 1,282,468	B			
Revaluation reserve	326,194				
Legal reserve	378,450	A,B			
Extraordinary reserve	562,307	B			
- Actuarial gaines and losses reserve	- 74,519	B			
- Reserve for exchange difference -Branch	717				
Retained earnings (accumulated losses)	- 118,500				
Total	**992,181**				
Non-distributable reserve	992,181				

(*) A = for capital increase B = to cover losses C = for distribution to shareholders

14) Post-employment benefits provision (TFR)

The post-employment benefits provision increased from €408,927 as at 31 December 2017 to €437,261 as at 31 December 2018.

Euro	31/12/2018	31/12/2017	Change
Opening balance	408,927	393,501	15,426
Provisions: "service cost" + "interest cost"	44,471	45,027	- 556
Actuarial gains or losses	23,641	- 4,253	27,894
Uses and advances	- 39,778	- 25,348	- 14,430
Total	**437,261**	**408,927**	**28,334**

The table below shows the main assumptions made for the measurement of the post-employment benefits provision.

Euro	31/12/2018	31/12/2017
Discount rate	1,57%	1,30%
TFR increase rate	2,625%	2,63%
Inflation rate	1,50%	1,50%
Salary increase rate	0,50%	0,50%

15) Financial payables to banks - current and non-current

The table below provides a breakdown of payables due to banks.

Euro	31/12/2018	31/12/2017
Loans - medium and long term portion	273,512	390,398
Financial payables to banks - non-current	**273,512**	**390,398**
Payables to banks for advances and bank overdrafts	1,511,458	1,504,888
Loans- short term portion	387,469	502,170
Other bank payables	557,407	197,892
Financial payables to banks - current	**2,456,334**	**2,204,950**
Total	**2,729,846**	**2,595,348**

The table below shows a summary of the features of outstanding mortgages and loans as at 31 December 2018.

Description	Original amount	Outstanding balance at 31/12/2018	Maturity date	interest rate
Mortgage loan	350,000	208,511	30/11/2026	2,20 floating
Unsecured loan	300,000	272,470	30/05/2020	2,128 floating
Unsecured loan	1,800,000	180,000	30/06/2019	3,80 floating
Of wich:				
- short term portion	387,469			
- long term portion	273,51			

The Company has not issued any guarantees on the outstanding loans as at 31 December 2018, with the exception of the mortgage loan contracted for €350,000, for which a first mortgage was granted on the building located in Guardiagrele up to a guaranteed amount of €700,000.

16) Trade payables

Trade payables totalled €11,406,276 as at 31 December 2018 (vs. €10,201,349 as at 31 December 2017).

Payables to suppliers are stated net of trade discounts; cash discounts are by contrast recorded at the time of payment. The face value of these payables was adjusted, at the time of returns or allowances (invoicing adjustments), to the extent corresponding to the amount agreed with the counterpart. All trade payables are due within 12 months.

17) Other financial payables

Other financial payables include payables to financial companies and are broken down below.

Euro	31/12/2018	31/12/2017
Other financial payables	58,430	17,920
Other financial payables - non-current	**58,430**	**17,920**
Other financial payables	11,404	8,663
Other financial payables - current	**11,404**	**8,663**
Total	**69,834**	**26,583**

18) Tax payables

Tax payables, in the amount of €198,547 as at 31 December 2018 (vs. €228,198 as at 31 December 2017), are broken down below.

Euro	31/12/2018	31/12/2017	Change
IRES (Corporate income tax)	124,949	122,378	2,571
IIRAP (Italian regional business tax)	9,113	61,177	- 52,064
Payables for withholdings at source	48,950	44,643	4,307
Other	15,535	-	15,535
Total	**198,547**	**228,198**	**- 29,651**

All of the above payables are due within 12 months.

19) Other current and non-current liabilities

The following table provides a breakdown of other current liabilities.

Euro	31/12/2018	31/12/2017	Change
Payables and prepayments to personnel	339,861	153,880	185,981
Payables to social security and welfare institutions	135,154	69,690	65,464
Accrued expenses		-	-
Deferred income	-	-	-
Advances from customers	39,225	28,703	10,522
Other payables	11,390	3,216	8,174
Total	**525,630**	**255,489**	**270,141**

As from 2018, the non-current liabilities consist of the payable to employees for taking on the post-employment benefits resulting from the lease agreement concluded for the hotel management business unit (see note 10).

Euro	31/12/2018	31/12/2017	Change
Payable for taking on TFR	514,069	-	514,069
Total	**514,069**	**-**	**514,069**

20) Total revenue

Euro	31/12/2018	31/12/2017	Change
Sales revenue	31,035,166	26,518,222	4,516,944
Change in inventories of semi-finished and finished products	-	-	-
Increases in own work capitalised	-	-	-
Other revenue and inco	71,383	125,675	- 54,292
Total	**31,106,549**	**26,643,897**	**4,462,652**

A breakdown of revenues is not provided since, at present, it is immaterial.

The table below provides a breakdown of other revenue and income.

Euro	31/12/2018	31/12/2017	Change
Property income	44,400	48,300	- 3,900
Allowance for insurance claims	8,150	16,370	- 8,220
Gain (loss) on asset disposal	113	6,789	- 6,676
Other revenue	18,720	54,216	- 35,496
Total	**71,383**	**125,675**	**- 54,292**

There are no revenues that are exceptional because of their size or incidence.

21) Purchases of raw materials and various materials

Euro	31/12/2018	31/12/2017	Change
Hotel management goods	173,582	110,413	63,169
Consumables	32,096	10,010	22,086
Cleaning products	17,666	7,285	10,381
Stationery	38,513	13,425	25,088
Fuel and lubricants	5,691	1,772	3,919
Goods with unit cost < 516.46	15,036	7,892	7,144
Various purchases	1,674	1,905	-231
Discounts, rebates, etc.	-415	-263	-152
Total	**283,843**	**152,439**	**131,404**

The change in the purchases of goods and various materials were strictly due to the factors described in the Management Report and the trend in sales revenue, as mentioned in Note 20 above.

22) Service costs

The table below provides a breakdown of service costs.

Euro	2018	2017	Change
Hotel costs and agency purchases	26,190,022	22,862,636	3,327,386
Tickets		1,527	-1,527
Transport	739	1,129	-390
Cleaning/laundry expenses	251,310	146,501	104,809
Various services on purchases	110,500	162,076	-51,576
Various utilities	178,255	84,985	93,270
Mileage allowance	323	30,855	-30,532
Maintenance, plants, buildings, etc.	34,195	13,272	20,923
Consulting fees	405,433	302,569	102,864
Operational consulting fees	197,500	-	197,500
Directors and statutory auditors' fees	119,716	172,194	-52,478
Advertising	12,206	738	11,468
Exhibition and fairs	298	1,395	-1,097
Costs for vehicles	2,925	3,967	-1,042
Technical support fees	2,294	2,692	-398
Telephone expenses	62,611	57,242	5,369
Postal and stamp costs	304	383	-79
Bank services costs	38,688	22,572	16,116
Insurance costs	104,588	85,782	18,806
Entertainment expenses	44,308	63,848	-19,540
Travel	76,067	82,642	-6,575
Other services	60,500	66,848	-6,348
Total	**27,892,780**	**24,165,851**	**3,726,929**

For the sake of clarity, a total of €161,691 in costs from Other Services was reclassified to Hotel costs and agency purchases in the relative table in the 2017 financial statements, since these are costs strictly related to the booking services.

The above changes were strictly due to the factors described in the Management Report and the trend in sales revenue, as mentioned in Note 20 above.

Services include fees, in the amount of €17,000, paid to the independent auditors for auditing the accounts.

There are no costs that are exceptional because of their size or incidence.

23) Personnel costs

Euro	2018	2017	Change
Wages and salaries	1,219,130	772,181	446,949
Social security contributions	353,089	240,675	112,414
Post-employment benefits (TFR)	44,244	60,146	- 15,902
Other costs	0	- 8,997	8,997
Total	**1,616,463**	**1,064,004**	**552,459**

This item comprises the entire cost for employees including bonuses, promotions, cost of living increases, the cost of untaken leave and provisions pursuant to the law and collective labour agreements.

The average company workforce, broken down by category, underwent the following changes with respect to the previous year.

Workforce	2018	2017	Change
Senior management	1	1	0
Employees	30	18	12
Other	16	5	11
Total	**47**	**24**	**23**

The national collective labour agreement for the tourism industry applies.

24) Amortization and depreciation

Amortization and depreciation, in the amount of €124,766 (vs. €130,783 in 2017), included:

Euro	2018	2017	Change
Depreciation of property, plant and equipment	71,181	54,483	16,698
Amortization of intangible assets	53,585	76,300	- 22,715
Total	**124,766**	**130,783**	**- 6,017**

25) Provisions and other write-downs

Provisions and other write-downs amounted to €46,216 (vs. €153,850 in 2017).
The breakdown of the change is as follows:

Euro	2018	2017	Change
Provision for bad debts	46,216	153,850	- 107,634
Total	**46,216**	**153,850**	**- 107,634**

26) Other operating costs

Other operating costs, in the amount of €554,173 in 2018 (vs. €292,356 in 2017) included:

Euro	2018	2017	Change
Rent payable for premises	30,311	32,877	-2,566
PHI Hotels business branch lease	322,254	144,000	178,254
Hire costs and user licenses	134,748	71,762	62,986
Property tax (IMU)	2,365	2,056	309
Taxes and duties	47,660	35,175	12,485
Other operating charges	16,835	6,487	10,348
Total	**554,173**	**292,357**	**261,816**

27) Borrowing costs

Borrowing costs, in the amount of €193,469 in 2018 (vs. €183,222 in 2017) included:

Euro	2018	2017	Change
Interest payable to banks	66,976	69,383	-2,407
Interest payable on loans	4,298	4,743	-445
Interest payable on borrowings from other lenders	10,168	3,010	7,158
Bank charges	105,695	101,015	4,680
Interest payable on TFR discounting	5,057	5,048	9
Other interest payable	1,274	23	1,251
Total	**193,469**	**183,222**	**10,247**

Borrowing costs were not capitalized during the year.

28) Financial income

Financial income, in the amount of €25,112 as at 31 December 2018 (vs. €18,317 as at 31 December 2017) included:

Euro	2018	2017	Change
Other income from fixed assets	3,964	1,743	2,221
Interest from other receivables	21,022	16,445	4,577
Interest on bank and postal deposits	126	130	-4
Total	**25,112**	**18,318**	**6,794**

29) Gains/ (Losses) on foreign exchange transactions

As at 31 December 2018, there was a net gain of €706 (net loss of €3,639 in the previous year).

30) Taxes

Taxes for the year were recognised in the amount of €163,699 (vs. €189,303 in 2017), and included:

Euro	2018	2017	Change
Current taxes - IRES	247,360	122,378	124,982
Current taxes - IRAP	70,290	61,177	9,113
Deferred taxes - IRES	-170,730	-167,532	-3,198
Prepaid taxes - IRES	13,778	161,952	-148,174
Substitute tax	0	0	0
Taxes from previous periods	3,000	11,328	-8,328
Total	**163,698**	**189,303**	**-25,605**

The following table provides the reconciliation between the theoretical charge shown in the financial statements and the theoretical fiscal charge:

Reconciliation between reported and the theoretical tax charge

Reconciliation between the theoretical tax charge and the financial staten		2018			2017	
Earnings before taxes	**443,068**			**498,330**		
Theoretical tax charge		**24%**	**106,336**		**24%**	**119,599**
Taxable temporary differences						
Default interest on uncollected trade receivables				- 13,326		
Deductible temporary differences						
Excess provision for risks on receivables				5.741		
Reversal of the temporary differences from prior years:						
Portion of amortization on intangible assets for FTA derecognition	- 56,329.00			- 56,329		
Constant quota for capital gains in instalments	711,376.00			711,376		
Amorization of goodwill	- 930.00			- 930		
Reversal of surplus deduction IAS 19						
Difference not reversing in future years						
Non-deductible costs and expenses	107,813			143,588		
Other decreases	- 174,333			- 166,758.00		
Taxable income	1,030,665			1,121,692		
Use for losses from previous years				- 611,785		
Current tax on operating income		**24%**	**247,360**		**24%**	**122,378**
Taxes (prepaid) recorded in the income Statement			**- 156,952**			**- 5,580**
Taxes (prepaid)	13,778			161,952		
Taxes (prepaid) charged directly to Balance Sheet (*)						
Deferred taxes	- 170,730			- 167,532		
IRAP for the year			**70,290**			**61,177**
Substitute tax						-
Taxes from previous periods			3,000			11,328
Taxes for the year			**163,698**			**189,303**

31) Information on guarantees given, commitments and other contingent liabilities

a) Sureties and other guarantees provided

As at 31 December 2018, the Company issued the following guarantees:

Type of guarantee	Amount
Surety issued to clients for tendered contracts	1,250,000
Current accounts tied as guarantee for overdraft facilities and sure	600,000
Surety issued to real estate/hotel properties	998,000
Surety issued to third-party distribution operators	20,000

Lease commitments

The leases posted in the 2018 income statement came to €352,565 (vs. €178,877 in 2017), including €322,254 for company lease agreements.

The following table provides a breakdown of the lease instalments for the lease of the business branch by time horizon.

Due date	Amount
Less than 1 year	492,250
Between 1 and 5 years (31/12/2024)	2,437,577
Beyond 5 years	2,345,423
Total	**5,275,250**

b) Purchase commitments

As at 31 December 2018, the Company signed a company purchase agreement, with effect from 01/02/2019, for an amount of €600,000, of which €120,000 was paid as an advance on the date of the conclusion of the agreement.

c) Contingent liabilities

On 27 December 2018, the Italian Revenue Agency, Provincial Department of Chieti, sent the company a tax assessment notice resulting from the tax audit report of 20 May 2016, containing a summary of the following findings related to the 2013 tax period:

- for IRES (Corporate income tax): tax recovery of €34,726 for greater non-deductible interest pursuant to Art. 96 TUIR (income tax law);
- for VAT: recovery of €493,885 for the incorrect application of the VAT rates and the "base to base" method laid down in art. 74-ter.

The company assigned the tax protection of the case in question to leading international law and tax firms whose convergent opinions - along with other authoritative opinions - led us to confirm the sustainability of our position, as already extensively explained to the Italian Revenue Agency. Moreover, it is worth noting that an obvious arithmetical mistake in the calculation was pointed out to the Italian Revenue Agency, which - among other things - would also significantly reduce the indicated irregularity. From the information obtained, the contingent liability is considered possible but not probable.

Nevertheless, the Company, through an internationally renowned specialist firm, immediately submitted a formal request for possibly reaching a settlement "in bonis" on the understanding that it intends to bring the case before the court if the inter partes proceedings do not lead to resolution of the issue.

Theoretically, an unfavourable tax ruling would have an impact on the income statement and shareholders' equity of €528,611, plus additional penalties and interest.

Moreover, as regards the findings related to the incorrect application of the VAT rate, based on the provisions set out in art. 60 of Presidential Decree No. 633/1972, the higher tax that the Company could be required to ultimately pay could be subject to recovery from the assignee of the service in order to recover the total amount due.

32) Related-party transactions

The related party transactions concluded under normal market conditions unless expressly stated otherwise, as required by IAS 24, are shown in the tables below, making a distinction between transactions with subsidiaries and transactions with other entities, including both natural and legal persons, defined as related parties of the company in accordance with the aforementioned standard.

In detail, the tables below show the impact of transactions with subsidiaries on the financial position and performance of Xenia.

Related party	Financial receivables	Financial payables	Trade receivables	Trade payables	Costs	Income
Xenia International Ltd.	511,022				197,500	17,886

The amount of €511,022.00 refers to a non-interest bearing loan to finance the start-up of the company.

The table below provides details on the transactions with other related parties.

Related party	Financial receivables	Financial payables	Trade receivables	Trade payables	Costs	Income
Xenia Balkan (Albania)				2,000	110,500	
Thot S.r.l.			362,344	36,600		

33) Remuneration of Directors, the Board of Statutory Auditors and the independent auditors

Pursuant to law, the total remuneration of directors and the audit bodies was as follows:

Body	Remuneration
Board of Directors	103,950
Board of Statutory Auditors	15,766
Independent auditors	17,000

34) Financial assets and liabilities by category

As required by IFRS 7, the financial instruments are disclosed by category of the Company's assets and liabilities with respect to the classification presented in the statement of financial position:

Euro	31/12/2018	31/12/2017
FINANCIAL ASSETS		
Measured at fair value with offset in income statement:		
Loans and receivables:		
Trade receivables	9,667,733	8,670,200
Receivables from subsidiaries	511,022	511,022
Other assets:		
Other financial assets and non-current receivables	310,526	143,780
Other current assets	930,511	307,760
Cash and cash equivalents	2,868,491	2,287,022
Total financial assets	**14,288,283**	**11,919,784**
FINANCIAL LIABILITIES		
Measured at amortized co		
Trade payables	11,406,726	10,201,349
Payables to banks and financial institutions and other financial liabilities	2,729,846	2,595,348
Other current liabilities	**1,308,080**	**510,279**
Total financial liabilities	**15,444,652**	**13,306,976**

The book values of the above financial assets and liabilities, taking into account their characteristics, are equal to or roughly the same as their fair value.

Levels of fair value hierarchy

As regards the financial instruments presented in the statement of financial position at fair value, IFRS 13 requires that these values be classified based on a fair value hierarchy that reflects the inputs used to measure fair value.

The input levels are:

- Level 1 – quoted prices in active markets for the assets or liabilities being measured;
- Level 2 – inputs other than the quoted market prices included within Level 1 that are observable either directly (price) or indirectly (derived from prices)
- Level 3 – inputs that are not based on observable market data

As regards the derivatives in effect as at 31 December 2018:

- all financial instruments measured at fair value fall within Level 2 (the situation was the same in 2017);
- there were no transfers from Level 1 to Level 2 (or vice versa) in 2018;
- there were no transfers from Level 3 to other levels (or vice versa) in 2018.

The Company did not issue any financial instruments.

35) Subsequent events

The subsequent events are discussed in the relevant section of the Management Report.

36) Grants and subsidies received from Public Administrations

Pursuant to Law no. 124/2017, for details on the aid received from public administrations, please see the data published in the National State Aid Registry, provided for by art. 3-quater, para 2 of Decree Law 135/2018.

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The Board of Directors proposes to allocate the profit for the year, in the amount of €279,368 as follows:

- €53,408 to cover losses from previous years

- €225,960 to the extraordinary reserve

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These financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes, provide a true and correct representation of the financial position and standing as well as the operating results for the accounting period and reflect the amounts shown in the accounting records.

Guardiagrele, 15 March 2019

Ercolino Ranieri
(Chairman of the BoD)

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