CORINTHIA FINANCE plc

A member of the Corinthia Group of Companies

COMPANY ANNOUNCEMENT

Approval of Financial Statements 2020

The Board of Directors of Corinthia Finance p.l.c. has approved the Company's Financial Statements for the year ended 29 February 2020.

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

Eugenio Privitelli
Company Secretary

Encl.

23 June 2020

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CORINTHIA FINANCE P.L.C.

Annual Report and Financial Statements
For the year ended 29 February 2020

Contents

Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 29 February 2020.

Principal activities

The principal activity of the Company is to finance the ownership, development, operation and financing of hotels, resorts and leisure facilities, forming part of the Corinthia Group of Companies, of which it is a member.

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

Review of the business

During the year under review, the Company registered a profit of €8,480. These financial statements have been prepared for a period of 12 months from 1 March 2019 to 29 February 2020. During the previous reported financial period, the Board had approved a change of year end from December to February and therefore the comparative financial statements have been prepared for a period of for a period of 14 months from 1 January 2018 to 28 February 2019. The Company's financial position as at 29 February 2020 is set out on page 21 of the Financial Statements.

During the year under review, loan V to the parent company (see note 8) and the other non-current financial assets were settled in full so that, in accordance with the prospectus dated 27 February 2012, the Company exercised the early redemption option on the €7,500,000 6% Bonds 2019-2022 and repaid these in full on the 10th October 2019.

Directors

The following have served as directors of the Company during the year under review:

Mr Joseph Fenech (Chairman)
Mr Frank Xerri de Caro
Dr Joseph J. Vella
Mr Mario P. Galea

In accordance with the Company's Articles of Association, the present directors remain in office.

Events after the end of the reporting period

The global pandemic has had a significant impact on the hospitality industry, and thereby on the parent company. To counter this, immediate measures have been adopted across the Group to reduce all operating costs to the absolute minimum required to secure and maintain the properties, which are at best in partial operation with significantly reduced business. The Group's focus at this stage is to preserve its financial resources. The parent company sold one of its assets in the second half of 2019 and retained sufficient funds from the sale to meet the debt service obligations of the Company.

The board of directors and senior management remain vigilant on developments to ensure the continued viability of the Company.

Directors' report - continued

No other adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the board.

Note 2 to the financial statements gives more detail about the consequences of COVID-19 on the appropriateness of preparing the company's financial statements on a going concern basis.

Future developments

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

Risk and uncertainties

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

Key performance indicators

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

Going concern

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

Disclosure of information to the auditor

At the date of making this report, the directors confirm the following:
- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state-of-affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

Directors' report - continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution proposing the appointment of the auditor of the Company will be submitted at the forthcoming Annual General Meeting.

On behalf of the board,

Mr Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

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

23 June 2020

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 23 June 2020 by:

Mr Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

Directors' statement of compliance with the Code of Principles of Good Corporate Governance

Listed companies are subject to The Code of Principles of Good Corporate Governance (the "Code"). The adoption of the Code is not mandatory, but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditor.

The board of directors (the "directors" or the "board") of Corinthia Finance p.l.c. ("CF" or the "Company") restate their support for the Code and note that the adoption of the Code has resulted in positive effects to the Company.

The board considers that during the reporting period, the Company has been in compliance with the Code to the extent that was considered adequate with the size and operations of the Company. Instances of divergence from the Code are disclosed and explained below.

COMPLIANCE WITH THE CODE

Principles 1 and 4: The board

The board of directors is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development, and the approval of any proposed acquisitions by the Company in pursuing its investment strategies.

Its responsibilities also involve the oversight of the Company's internal control procedures and financial performance, and the review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All the directors have access to independent professional advice at the expense of the Company, should they so require.

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

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

All directors are required to:

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

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

Principles 1 and 4: The board - continued

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

Principle 2: Chairman and chief executive

The roles of Chairman and Chief Executive Officer are both carried out by Mr Joseph Fenech. Although the Code recommends that the roles of Chairman and Chief Executive Officer are kept separate, the directors believe that, in view of the particular circumstances of the Company, Mr Fenech should occupy both positions.

In terms of Principle 3.1, which calls for the appointment of a senior independent director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the board has appointed Dr Joseph J. Vella as the indicated senior independent director.

The Chairman is responsible to:

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

Principle 3: Composition of the board

The board of directors consists of one executive director who also acts as Chairman and three non-executive directors. The present mix of executive and non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing direction to the Company's management to help maintain a sustainable organisation.

The non-executive directors constitute a majority on the board and their main functions are to monitor the operations of the executive director and his performance as well as to analyse any investment opportunities that are proposed by the executive director. In addition, the non-executive directors have the role of acting as an important check on the possible conflicts of interest of the executive director, which may exist as a result of his dual role as executive director of the Company and his role as officer of CF's parent company, Corinthia Palace Hotel Company Limited ("CPHCL") and its other subsidiaries.

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

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

The board considers that Dr Joseph J. Vella, Mr Frank Xerri de Caro and Mr Mario P. Galea are the three independent Directors of the company and hereby reports that neither of them:

a) are or have been employed in any capacity by the Company;
b) have or have had, over the past three years, a significant business relationship with the Company;
c) have received or receives significant additional remuneration from the Company in addition to its' director's fee;
d) have close family ties with any of the Company's executive directors or senior employees;
e) have been within the last three years an engagement partner or a member of the audit team or past external auditor of the Company

Each of the Directors hereby declares that he undertakes to:

a) maintain in all circumstances his independence of analysis, decision and action;
b) not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and
c) clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

The board also believes that the independence of its directors is not compromised because of long service or the provision of any other service to the Corinthia Group. Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgement as a director of the Company.

The board is made up as follows:

Executive director	*Date of first appointment*
Mr Joseph Fenech	9 September 1999

Non-executive directors	*Date of first appointment*
Dr Joseph J. Vella	9 September 1999
Mr Frank Xerri de Caro	25 April 2005
Mr Mario P. Galea	15 February 2017

Mr Eugenio Privitelli acts as secretary to the board of directors.

In accordance with the requirements of the Articles of Association, the term of office of the directors lapsed at the Annual General Meeting held on 23 June 2020, at which date they were re-appointed for a further term.

Principle 5: Board meetings

The board met four times during the period under review. The number of board meetings attended by directors for the period under review is as follows:

Mr Joseph Fenech	3
Dr Joseph J. Vella	4
Mr Frank Xerri de Caro	4
Mr Mario P. Galea	3

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

Principle 6: Information and professional development

The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions. The Company is committed to provide adequate and detailed induction training to directors who are newly appointed to the Board. The Company pledged to make available to the directors all training and advice as required.

Principle 8: Committees

Audit committee

The audit committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The committee is made up of a majority of non-executive directors and reports directly to the board of directors. The committee oversees the conduct of the internal and external audits and acts to facilitate communication between the board, management and, upon the direct request of the audit committee, the internal audit team and the external auditor.

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

Mr Frank Xerri de Caro, a non-executive director, acts as Chairman, whilst Mr Joseph Fenech, Dr Joseph J. Vella and Mr Mario P. Galea act as members. The Company Secretary, Mr Eugenio Privitelli acts as secretary to the committee.

The board of directors, in terms of Listing Rule 5.118, has indicated Mr Mario P. Galea as the independent non-executive member of the audit committee who is considered to be competent in accounting and/or auditing in view of his considerable experience at a senior level in the banking field.

The Audit committee is also responsible for the overview of the internal audit function. The role of the internal auditor is to carry out systematic risk-based reviews and appraisals of the operations of the Company (as well as of the subsidiaries and associates of the Group) for the purpose of advising management and the board, through the Audit committee, on the efficiency and effectiveness of management policies, practices and internal controls. The function is expected to promote the application of best practices within the organisation.

The directors are fully aware that the close association of the Company with CPHCL and its other subsidiaries is central to the attainment by the Company of its investment objectives and implementation of its strategies. The Audit committee ensures that transactions entered into with related parties are carried out on an arm's length basis and are for the benefit of the Company, and that the Company and its subsidiaries accurately report all related party transactions in the notes to the financial statements.

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

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

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

Principle 9: Relations with shareholders and with the market

The Company is highly committed to having an open and communicative relationship with its bondholders and investors. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of interim and annual financial statements, the Company seeks to address the diverse information needs of its bondholders and investors by providing the market with regular, timely, accurate, comparable and comprehensive information.

Principle 10: Institutional shareholders

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

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

Principle 11: Conflicts of interest

The directors are fully aware of their obligations regarding dealings in securities of the Company as required by the Listing Rules in force during the year. Moreover, they are notified of blackout periods, prior to the issue of the Company's interim and annual financial information, during which they may not trade in the Company's bonds.

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

Principle 12: Corporate social responsibility

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

NON-COMPLIANCE WITH THE CODE

Principle 7: Evaluation of the board's performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Approved by the board of directors on 23 June 2020 and signed on its behalf by:

Mr Frank Xerri de Caro
Director and Chairman of Audit Committee

Dr Joseph J. Vella
Director

Other disclosures in terms of listing rules

Statement by the directors pursuant to Listing Rule 5.70.1

Contracts of significance with parent company

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

Pursuant to Listing Rule 5.70.2

Company secretary and registered office

Eugenio Privitelli
22 Europa Centre, Floriana FRN 1400, Malta
Telephone (+356) 21 233 141

Signed on behalf of the board of directors on 23 June 2020 by:

Mr Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

Remuneration statement

In terms of Rule 8A.4 of the Code, the Company is to include a remuneration statement in its annual report which shall include details of the remuneration policy of the Company and the financial packages of Directors and the Executive Chairman

Remuneration Committee

Due to the nature of the Company it has not been considered necessary to appoint a remuneration committee.

Remuneration Policy – Directors and senior executives

The Executive Chairman and the Directors are each entitled to a fixed base fee. The fixed base fee is based on a predefined amount.

The Executive Chairman and the non-executive directors of the Company are entitled to discounts at Corinthia Hotels owned and operated establishments. The Company does not award share-based remuneration. The Company does not offer any profit-sharing, share options or pension benefit schemes.

The fees paid to the Board of Directors of the Company, including the Executive Chairman are considered commensurate to the importance of the role performed by such persons in a company of such reputation and standing.

The remuneration and emoluments paid to the Directors and the Executive Chairman for the financial year ended 29 February 2020, amount to €21,000.

	Fixed remuneration (incl. fixed base salary and directors' fees)	**Share options**	**Others**	**Emoluments and remuneration from group undertakings, including directors' fees**
Mr Joseph Fenech, Executive Chairman	6,000	N/A	-	-
Mr Frank Xerri de Caro, Senior Non-Executive Director	5,000	N/A	-	-
Dr Joseph J Vella, Independent Non-Executive Director	5,000	N/A	-	-
Mr Mario Galea, Independent Non-Executive Director	5,000	N/A	-	-
Total (aggregate)	21,000	N/A	-	-

Remuneration statement – continued

The proposed remuneration policy of the Company shall be put to a binding vote of the shareholders at the next Annual General Meeting. This remuneration policy shall be reviewed regularly, and any material amendments thereto shall be submitted to a vote by the annual general meeting of the Company before adoption, and in any case at least every four years.

Mr Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

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Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Corinthia Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 29 February 2020, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

Corinthia Finance p.l.c.'s financial statements, set out on pages 20 to 38 comprise:

- the statement of total comprehensive income for the year ended 29 February 2020;
- the statement of financial position as at 29 February 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

Independent auditor's report - *continued*

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

The non-audit services that we have provided to the company, in the period from 1 March 2019 to 29 February 2020, are disclosed in note 6 to the financial statements.

Material Uncertainty Relating to Going Concern as a Result of COVID-19

We draw attention to Note 2 to these financial statements, which describes the directors' assessment of the estimated impacts of COVID-19 on the Company's projected financial results, cash flows and financial position and those attributable to the group of companies of which the Company forms part, taking cognisance of the unprecedented nature of the adverse economic conditions currently being experienced. These events or conditions, along with other matters as set forth in the said Note, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Overall materiality: €419,000, which represents 1% of total assets

Recoverability of balances with parent company

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

The main purpose of the company is the financing of the Corinthia group. The company is financing these loans through bond offerings on the local market. The repayment of these bonds to the investors is guaranteed by Corinthia Palace Hotel Company Limited as disclosed in note 13 to the financial statements. The company facilitates the Corinthia group in its financing activities for which it receives a margin.

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Independent auditor's report - *continued*

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

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

Materiality

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

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

Overall materiality	€419,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because in our view, this benchmark is an appropriate measure for this type of entity. We chose 1% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €42,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty relating to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report:

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Independent auditor's report - *continued*

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

Key audit matter	How our audit addressed the Key audit matter
Recoverability of balances with parent company Loans and receivables include loan balances with the parent company, Corinthia Palace Hotel Company Limited, amounting to €39,910,000 as at 29 February 2020. As explained in accounting policy note 3.4, the recoverability of the loans is assessed at the end of each financial year. The loans represent the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms surrounding the loans to supporting loan agreements and agreed outstanding balances as at year end with results of procedures carried out at a Group level. We have assessed the financial soundness of the parent company, Corinthia Palace Hotel Company Limited, which is also the guarantor of the company's bonds. In doing this, we made reference to the management accounts for the current year, the audit procedures carried out on the consolidated financial statements of the Group, cash flow projections and other information. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans. We also assessed the impact of events that occurred subsequent to the end of the reporting period in relation to COVID-19 on the financial performance, cash flows and financial position of the guarantor and we reviewed the related disclosures within these financial statements.

Other information

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

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

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

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

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

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

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Independent auditor's report - continued

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

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

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors. We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

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

pwc

Independent auditor's report - *continued*

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

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.

- under the Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Company on 20 July 2015. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

23 June 2020

Statement of total comprehensive income

	Notes	Year ended 29 February 2020 €	Period from 1 January 2018 to 28 February 2019 €
Finance income	5	**2,031,052**	2,636,812
Finance costs	5	**(1,973,750)**	(2,508,333)
Net interest earned		**57,302**	128,479
Administrative expenses	6	**(46,091)**	(51,735)
Profit before tax		**11,211**	76,744
Tax (expense) / income	7	**(2,731)**	(22,160)
Profit for the year / period		**8,480**	54,584
Total comprehensive income for the year / period		**8,480**	54,584

The notes on pages 24 to 38 are an integral part of these financial statements.

Statement of financial position

	Notes	29 February 2020 €	28 February 2019 €
ASSETS			
Non-current			
Loans owed by parent company	8	**39,910,000**	45,870,000
Other non-current financial assets	9	**-**	1,581,697
Total non-current assets		**39,910,000**	47,451,697
Current			
Receivables	10	**1,914,294**	2,394,015
Other financial assets		**20,150**	20,150
Cash and cash equivalents	11	**113,266**	19,374
Total current assets		**2,047,710**	2,433,539
Total assets		**41,957,710**	49,885,236
EQUITY			
Share capital	12	**250,000**	250,000
Retained earnings		**2,913**	94,433
Total equity		**252,913**	344,433
Non-current liabilities			
Bonds in issue	13	**40,000,000**	47,500,000
Total non-current liabilities		**40,000,000**	47,500,000
Current liabilities			
Payables	14	**1,704,797**	2,040,803
Total liabilities		**41,704,797**	49,540,803
Total equity and liabilities		**41,957,710**	49,885,236

The notes on pages 24 to 38 are an integral part of these financial statements.

The financial statements on pages 20 to 38 were approved by the board of directors, authorised for issue on 23 June 2020 and signed on its behalf by:

Mr Joseph Fenech
Chairman

Dr Joseph J. Vella
Director

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
At 1 January 2018	250,000	39,849	289,849
Comprehensive income:			
Profit for the period	-	54,584	54,584
Total comprehensive income for the period	-	54,584	54,584
At 28 February 2019	**250,000**	**94,433**	**344,433**
At 1 March 2019	250,000	94,433	344,433
Comprehensive income:			
Profit for the year	-	8,480	8,480
Total comprehensive income for year	-	8,480	8,480
Transactions with owners:			
Dividend	-	(100,000)	(100,000)
At 29 February 2020	**250,000**	**2,913**	**252,913**

The notes on pages 24 to 38 are an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 29 February 2020 €	Period from 1 January 2018 to 28 February 2019 €
Cash flows from operating activities			
Cash used in operating activities	15	(30,661)	(86,674)
Tax paid		(9,228)	(3,526)
Net cash used in operating activities		(39,889)	(90,200)
Cash flows from investing activities			
Proceeds from repayment of loans owed by parent company		5,960,000	500,000
Interest received		2,482,084	2,248,924
Proceeds from liquidation of sinking fund		1,581,697	-
Deposits into bond redemption sinking fund		-	(500,000)
Net cash generated from investing activities		10,023,781	2,248,924
Cash flows from financing activities			
Payments for redemption of bonds		(7,500,000)	-
Interest paid		(2,390,000)	(2,150,000)
Net cash used in financing activities		(9,890,000)	(2,150,000)
Net change in cash and cash equivalents		93,892	8,724
Cash and cash equivalents at beginning of year/period		19,374	10,650
Cash and cash equivalents at end of year / period	11	113,266	19,374

The notes on pages 24 to 38 are an integral part of these financial statements.

Notes to the financial statements

1. Nature of operations

The principal activity of Corinthia Finance p.l.c. (the "Company") is to finance the ownership, development, operation and financing of hotels, resorts, resorts and leisure facilities, forming part of the Corinthia Group of Companies, of which it is a member.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the Companies Act, Cap 386.

Corinthia Finance p.l.c. is a public company and is incorporated and domiciled in Malta. The address of the Company's registered office is 22, Europa Centre, Floriana FRN 1400, Malta. The parent company of Corinthia Finance p.l.c. is Corinthia Palace Hotel Company Limited of the same address.

The financial statements are presented in euro (€), which is also the functional currency of the Company. During the prior year, the Board had approved a change of year end from December to end February; therefore these financial statements have been prepared for a twelve month period from 1st March 2019 to 29th February 2020 whereas the prior year figures have been prepared for a fourteen month period from 1st January 2018 to 28th February 2019.

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events that occurred subsequent to the end of the reporting period

The Company's sole activity is the issuance of bonds to the general public and utilising the proceeds to effect advances to CPHCL, the Company's parent. The Company's financial transactions include interest payments and interest receipts on the bonds and advances to CPHCL respectively. CPHCL is the parent of the Corinthia group of companies which is principally an investment company but is also involved in the hospitality and catering businesses locally and overseas. CPHCL, at times, also supports financially its subsidiaries providing strategic and funding direction, acting as the ultimate parent holding company within the Corinthia group, and hence utilises its treasury function in this manner to finance the group's operations. Since CPHCL is the Company's sole borrowing customer, the Company's ability to service its debt obligations is intrinsically linked to the financial performance and cash flow position of CPHCL and accordingly the Company's ability to continue operating as a going concern is unequivocally dependent on CPHCL's ability to continue operating as a going concern on Group and Company stand-alone bases.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, CPHCL Group's operations within the hospitality sector were principally closed for business or suspended for a period of time, in line with the directions given by the health authorities of the jurisdictions within which the Group operates.

For financial reporting purposes, events relating to the COVID-19 pandemic are deemed to be non-adjusting subsequent events, and accordingly the Company's financial results and financial position reported within the financial statements for the year ended 31 December 2019 have not been impacted by these events. However, these events have a significant impact on CPHCL Group's operations during the year ending 31 December 2020 and on the financial results expected to be registered during the year with material adverse impacts on the Group's profitability, cash flows and financial position. The Board's views are that the situation is unprecedented and the directors of the Company and of CPHCL remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 could have on the Company and the CPHCL Group.

2. Basis of preparation - continued

In a public announcement dated 28 March 2020, the CPHCL Group's principal subsidiary stated that the global pandemic has had a significant impact on the hospitality industry, with the Group's hotels, related commercial properties and catering activities being at best in partial operation with significantly reduced business at that point in time. As outlined previously, the Group ultimately curtailed its hospitality and catering businesses as events unfolded. Immediate measures have been adopted across the Group to reduce operating costs to a minimum to secure and maintain the Group's properties, with the objective of preserving financial resources. The Group's most material remaining operating cost is payroll and accordingly the Group has taken immediate action to curtail its payroll related costs. The Group adopted a series of bold and far-reaching measures that have significantly reduced operating costs and payroll expenses. It is benefitting from varying schemes adopted by the respective Governments in all countries in which the Group operates, including Malta and the United Kingdom, which include outright salary subsidies, as well as the waiver or deferral of payroll taxes and social security contributions, together with waiver of property taxes for 2020.

CPHCL's board of directors has directed the compilation of Company ("Corinthia Finance" or "CF") specific and CPHCL Group financial projections for the years ending 31 December 2020 and 31 December 2021, comprising historical financial information up to the date of authorisation for issue of these financial statements and forecast financial information for the residual period, incorporating the estimated impact of the events referred to above on the projected financial results, cash flows and financial position of the Company and CPHCL Group. The projected financial information reflects the estimated impact of the stressed conditions currently experienced, under a scenario which encompasses a set of prudent and severe assumptions that capture the forecast business conditions until 31 December 2021. These assumptions centre around the expected timing of resumption of operations of the different hospitality and catering businesses, the expected pace of recovery of business once operations resume, and expected level of activity and revenues post resumption. The Group is incorporating minimal forecast revenues for the residual period of the financial year ending 31 December 2020 within the projections and is assuming that forecast revenues for the subsequent year would amount to a fraction of the historical 2019 figures. Hence the Group is projecting that revenue levels will not revert to pre COVID-19 benchmarks before the financial year ending 31 December 2022. The projections referred to above contemplate the impact of the cost containment and management measures together with government support in respect of operating expenditure until 31 December 2020. A business as usual scenario is assumed in relation to Operating costs throughout 2021 when these have been increased to a normalised situation albeit reflecting reduced occupancies and rates, but the Group may continue to apply certain measures should the need arise.

The CPHCL Group is assessing the resumption of business dates on a specific property and business basis. The Group intends to resume certain operations in the latter part of 2020 and others during 2021, but this plan is reviewed on an ongoing basis taking into account developments and events as these unfold.

The Group is in the process of applying for banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the requested facilities amounting to the maximum amount possible under the Scheme. At the date of authorisation for issue of these financial statements, the Group has submitted applications for a part of the aggregate amount. The entire amount of the facilities is included as liquidity inflows within the projections.

The Group has also engaged in an extensive dialogue with its funding banks in Malta and internationally, and has entered into ad hoc arrangements with some of its principal lending banks to defer capital and in some cases interest payments too, which deferrals are reflected within the projections.

Certain banking facilities include loan to value and debt service cover covenants which are tested on a periodical basis. Under the projections the CPHCL Group is expected to breach specific covenants exclusively in view of COVID-19 impacts on its business and financial results. Whilst waivers have been obtained in respect of breaches expected throughout most of the remaining months in 2020, waivers for the forecast breaches in the latter part of 2020 and in 2021 have not been obtained at the date of approval of the 31 December 2019 financial statements, as it is premature to approach the banks for such waivers at this point in time.

2. Basis of preparation - continued

If waivers are not successfully negotiated, then the CPHCL Group would be technically considered in default in respect of the related loan agreements and facilities would need to be repaid, which may mean that the Group may not be able to meet these liabilities at that point in time. However, the Group expects to secure such waivers and this is assumed within the financial projections.

The bonds issued by an associate of the CPHCL Group, maturing throughout 2020, which are secured by guarantees provided by CPHCL are expected to be refinanced, also taking into account the facilities made available by the Malta Development Bank. The bonds issued by the Group and by the same associate maturing throughout 2021, are also expected to be refinanced. Interest payment obligations on all bonds issued are included within the projections.

The Group did not provide for any sale and in consequence did not reflect proceeds from disposal of any significant non-core assets for the parent company or its subsidiaries, during the explicit period of the cash flow projections.

The combined effects of the actions effected are to safeguard the CPHCL Group's financial and liquidity position to see the business through the period of the pandemic, taking into account the forecasted revenue levels expected to be generated by the Group's hotels and catering businesses within the explicit period of the projections. Under the cash flow projections, utilising a prudent scenario, the Company and CPHCL Group are expected to have sufficient liquidity and financial resources to meet obligations and expected cash outflows taking into account the actual outcome of actions taken so far by the Group and also the expected outcome of other forecasted funding actions and related initiatives throughout the explicit period of the projections. Hence, the Company and CPHCL Group are likely to have sufficient resources and funds to meet all payment obligations, including bond interest payments as they arise through the course of the explicit period, as the projections reveal a certain level of headroom in respect of liquidity available to the Company and Group throughout the period to 31 December 2021.

The Directors are conscious that, in common with similar businesses operating in the same sectors, all judgements reached at this stage remain subject to a material degree of underlying uncertainty, however the following matters are considered to constitute a material uncertainty that may cast significant doubt about the Company's and CPHCL Group's ability to continue as a going concern:

- While the Group's analysis assumes a sharp downturn in the level of business activity during 2020, followed by a slow and gradual recovery into 2021, the eventual outcome of the pandemic remains subject to material uncertainty. A more prolonged outbreak, or a resurgence of the disease, would lead to more widespread economic disruption; which may in part be countered by further governmental measures that also cannot be foreseen at this stage.
- The political and economic uncertainties prevailing in Libya entail significant uncertainties and judgements surrounding the valuation of the Group's assets in Libya, which is influenced by the timing of a recovery in the country that in turn has a bearing on the projected cash flows from the relative operations. These projections remain subjective and difficult to predict due to the current market environment, also taking into account the COVID-19 related events subsequent to the end of the reporting period. Different plausible scenarios may impact the financial performance of the Libya operations and the valuation of related assets in a significant manner.
- At the date of approval of these financial statements, the Group has not yet obtained approval of the required banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme and has not obtained waivers for the forecast covenant breaches in the latter part of 2020 and in 2021, attributable to certain banking facilities. Also, the outcome in respect of the Group's assumed refinancing of the bonds issued by the Group and its associate is beyond the control of the Group as at the date of the 2019 financial statements.

Should an adverse outcome emanate from the uncertainties surrounding either the banking facilities under the Malta Development Bank COVID-19 Guarantee Scheme or the assumed refinancing of the bonds issued by the Group and its associate, the level of headroom in respect of liquidity available to the Company and Group throughout the period to 31 December 2021 is impacted in a significant manner but not depleted.

2. Basis of preparation - continued

Should adverse developments occur in respect of both factors referred to above or should waivers for the forecast covenant breaches attributable to certain banking facilities not be secured, the headroom of liquidity available to the Company and Group would be depleted. However, should these latter unlikely events materialise, the Group would be able to deploy other mechanisms or funding options as highlighted previously.

The Directors confirm that, after considering the matters set out above and on the basis of information received from the board of directors of CPHCL, they have a reasonable expectation that the CPHCL Group will be successful in securing:

- the approval of the full amount of requested banking facilities from local banks under the Malta Development Bank COVID-19 Guarantee Scheme;
- continued support from its funding banks and waivers for the forecast covenant breaches in the latter part of 2020 and in 2021; and
- refinancing of the bonds expected to mature throughout 2020 and 2021, as referred to above, taking cognisance of the facilities made available by the Malta Development Bank.

Accordingly, based on the outcome of the cash flow projections in a rather prudent scenario as referred to, the Directors consider the going concern assumption in the preparation of the Company's financial statements as appropriate as at the date of authorisation for issue of the 2019 financial statements.

The board of directors remains vigilant on developments and will be taking further measures as and when necessary to ensure the continued viability of the Company and to preserve the Company's liquid resources to enable it to manage the liquidity demands over the coming months in an agile and decisive manner as events unfold.

Standards and amendments to existing standards effective 1 March 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 March 2019 that have a material effect on the financial statements of the Company.

New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

3. Summary of accounting policies

3.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described below.

The accounting policies have been consistently applied by the company and are consistent with those used in previous years.

3. Summary of accounting policies - continued

3.2 Revenue recognition

Revenue is measured at fair value. Amounts disclosed as revenue are interest income from loans and other financial assets.

3.2.1 Finance income / cost

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

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

3.3 Administrative expenses

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

3.4 Financial assets

3.4.1 Classification

The company classifies its financial assets in the following measurement categories:

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

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

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

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

3.4.2 Recognition and derecognition

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

3.4.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

3. **Summary of accounting policies** - continued

Debt instruments

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

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

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

3.4.4 Impairment

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

3.5 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. Financial liabilities at fair value through profit or loss would be initially recognised at fair value through profit or loss with transaction costs in profit or loss and would be subsequently measured at fair value. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

3.6 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the current laws of Malta adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3.7 Cash and cash equivalents

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

3. Summary of accounting policies - continued

3.8 Receivables

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

3.9 Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. Payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

5. Finance income and finance costs

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

	Period from 1 March 2019 to 29 February 2020 €	Period from 1 January 2018 to 28 February 2019 €
Interest charged on loans owed by parent company	**2,025,088**	2,613,306
Others	**5,964**	23,506
Finance income	**2,031,052**	2,636,812
Interest on bonds	**1,973,750**	2,508,333
Finance costs	**1,973,750**	2,508,333

6. Expenses by nature

	Period from 1 March 2019 to 29 February 2020	Period from 1 January 2018 to 28 February 2019
	€	€
Directors' remuneration	**21,000**	24,500
Other expenses	**25,091**	27,235
	46,091	51,735

Auditor's fees

Fees charged by the auditor for services rendered during the financial period ended 29 February 2020 relate to the following:

	Period from 1 March 2019 to 29 February 2020	Period from 1 January 2018 to 28 February 2019
	€	€
Annual statutory audit	**9,500**	9,250
Tax compliance services	**500**	500
	10,000	9,750

7. Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2019: 35%) and the tax expense actually recognised in the statement of total comprehensive income can be reconciled as follows:

	Period from 1 March 2019 to 29 February 2020	Period from 1 January 2018 to 28 February 2019
	€	€
Profit before tax	**11,211**	76,744
Tax on profit at 35%	**(3,924)**	(26,860)
Tax effect of:		
Income subject to a different rate of tax	**1,193**	4,700
Actual tax expense	**(2,731)**	(22,160)

7. Tax expense - continued

Comprising:		
Current tax	(2,731)	(20,193)
Deferred tax (Note 11)	-	(1,967)
	(2,731)	(22,160)

8. Loans owed by parent company

	Security	Interest rate	Repayable by	29 February 2020 €	28 February 2019 €
Loan V	None	6.40%	14 March 2022	-	5,960,000
Loan VI	None	4.45%	5 April 2026	39,910,000	39,910,000
				39,910,000	45,870,000

Loan V was to be fully repaid by 14 March 2022, however it was subject to earlier pre-payment, if the early redemption option on the related bond was exercised between 30 March 2019 and 29 March 2022 (refer to Note 13). During the year under review, the parent company repaid the loan in full so that the company could exercise the early redemption option.

These loans rank pari passu, without any priority or preference within all other present and future unsecured and unsubordinated obligations of the parent company, to which the loans have been advanced.

Based on the current market prices of the issued bonds, the fair value of Loan VI is €41,515,000.

9. Other non-current financial assets

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

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

	29 February 2020 €	28 February 2019 €
Financial assets measured at amortised cost:		
- Interest-bearing bank accounts	-	1,581,697
	-	1,581,697

10. Receivables

	29 February 2020 €	28 February 2019 €
Current		
Amounts owed by parent company	**317,153**	344,370
Accrued interest income	**1,596,944**	2,047,976
Prepayments	**197**	1,669
	1,914,294	2,394,015

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

The amounts owed by parent company are unsecured, interest free and repayable on demand.

11. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include the following component:

	29 February 2020 €	28 February 2019 €
Cash at bank	**113,266**	19,374

12. Share capital

The share capital of Corinthia Finance p.l.c. consists of fully paid ordinary shares with a par value of €1 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Corinthia Finance p.l.c.

	29 February 2020 €	28 February 2019 €
Shares issued and fully paid		
250,000 ordinary shares of € 1 each	**250,000**	250,000
Shares authorised		
2,500,000 ordinary shares of € 1 each	**2,500,000**	2,500,000

13. Bonds in issue

	Interest rate	Repayable by	28 February 2020 €	28 February 2019 €
Bond IV	6.00%	29 March 2022	-	7,500,000
Bond V	4.25%	12 April 2026	**40,000,000**	40,000,000
			40,000,000	47,500,000

The prospectus for bond issue IV allowed the Company to redeem the bonds or any part thereof at any time prior to the stated maturity date during the redemption option period. The early redemption option period for Bond IV was between 30 March 2019 and 29 March 2022. The early redemption option was exercised during the year under review.

The bond issue costs on the bonds have been borne by the parent company. The payment of these bonds and interest thereon are guaranteed by the parent company which has bound itself jointly and severally with the Company.

The carrying value of the bonds in issue is considered a reasonable approximation of their fair values. The quoted market price as at 29 February 2020 for Bond V was €105 (as at 28 February 2019: €105).

14. Payables

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

	28 February 2020 €	28 February 2019 €
Current		
Accrued interest on bonds in issue	**1,506,389**	1,922,639
Other accruals	**17,120**	22,968
Other payables	**181,288**	95,196
	1,704,797	2,040,803

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

15. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been effected to profit before tax to arrive at operating cash flows:

	28 February 2020 €	28 February 2019 €
Operating profit	**11,211**	76,744
Adjustments:		
Interest income	**(2,031,052)**	(2,636,812)
Interest expense	**1,973,750**	2,508,333
Other adjustments	**-**	(19,980)
Changes in working capital:		
Change in receivables	**(71,311)**	261,114
Change in payables	**86,741**	(276,073)
Cash used in operations	**(30,661)**	(86,674)

16. Related party transactions

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

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

16.1 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.

16.2 Transactions with parent company

Transactions with parent company are included in note 5 whilst balances are shown separately in notes 8 and 10.

16.3 The individual Directors' holdings in the bonds were as follows:

As at 29 February 2020, Mr Frank Xerri De Caro held 11,700 units in the €40 million bond

As at 29 February 2020, Mr Joseph J. Vella held 28,000 units in the €40 million bond.

As at 29 February 2020, Mr Joseph Fenech held 73,400 units in the €40 million bond.

17. Financial instruments risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 17.4. The main types of risks are credit risk and liquidity risk.

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

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

17.1 Credit risk

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

	Notes	28 February 2020	28 February 2019
		€	€
Financial assets at amortised cost – carrying amounts			
Loans owed by parent company	9	**39,910,000**	45,870,000
Other long-term financial assets	10	**-**	1,581,697
Receivables	11	**2,034,248**	2,412,496
Cash and cash equivalents	12	**113,266**	19,374
		42,057,514	49,883,567

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

The other long-term financial assets are held under custodianship with a reputable local institution with high quality external credit rating and a licensed investment service company which is regulated by the Malta Financial Services Authority (MFSA). The sinking funds are composed of interest-earning bank accounts.

The credit risk for liquid funds is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

None of the Company's assets is secured by collateral or other credit enhancements.

17.2 Liquidity risk

Management manages the Company's liquidity needs by carefully monitoring cash flows on a regular basis. Liquidity needs for 6 monthly and yearly periods are identified on a monthly basis.

The Company maintains cash to meet its liquidity requirements for the short-term. Funding for long-term liquidity needs is secured by the parent company.

17. Financial instruments risk- continued

17.2 Liquidity risk - continued

In view of the nature of activities, the company manages the timing and extent of inflows from its key financial asset, the loans to the parent, to match demands for liquidity in respect of its bond obligations.

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

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
29 February 2020	€	€	€	€
Bonds in issue	-	-	-	40,000,000
Interest on bonds in issue	1,700,000	-	6,800,000	3,400,000
Payables	198,407	-	-	-
	1,898,407	**-**	**6,800,000**	**43,400,000**

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

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

17.3 Market risk

Foreign currency risk

The Company's transactions are carried out in euro and all financial assets and liabilities are denominated in euro. Therefore the company is not exposed to foreign currency risk.

Interest rate risk

The Company is not significantly exposed to interest rate risk since its interest-bearing financial assets and liabilities are at fixed rates of interest. The company secured a spread between its fixed interest income of loans to the parent and fixed interest expense on bonds issued to the public.

17. Financial instruments risk – continued

17.4 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	Notes	29 February 2020 €	28 February 2019 €
Financial assets measured at amortised cost			
Non-current			
- Loans owed by parent company	9	**39,910,000**	45,870,000
- Interest-bearing bank accounts	10	**-**	1,581,697
Current			
- Receivables	12	**1,934,444**	2,412,497
- Cash and cash equivalents	13	**113,266**	19,374
		41,957,710	49,883,568
Financial liabilities measured at amortised cost			
Non-current			
- Bonds in issue	15	**40,000,000**	47,500,000
Current			
- Payables	16	**1,704,797**	2,040,803
		41,704,797	49,540,803

18. 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.

19. Events after the end of the reporting period

The global pandemic has had a significant impact on the hospitality industry, and thereby on the parent company. To counter this, immediate measures have been adopted across the Group to reduce all operating costs to the absolute minimum required to secure and maintain the properties, which are at best in partial operation with significantly reduced business. The Group's focus at this stage is to preserve its financial resources. The parent company sold one of its assets in the second half of 2019 and retained sufficient funds from the sale to meet the debt service obligations of the Company.

Note 2 to the financial statements gives more detail about the consequences of COVID-19 on the appropriateness of preparing the company's financial statements on a going concern basis.