Report and financial statements prepared in accordance with International Financial Reporting Standards

IHI Magyarország Zrt.
Year ended 31 December 2020

Contents

Directors' report

The directors present their report together with the audited financial statements of IHI Magyarorszag Zrt. (the 'Company') for the year ended 31 December 2020.

Mission and Strategy

The Company's mission is to maximise shareholders' wealth by owning and operating assets at the top end of the market within which it operates.

Principal activities

The Company operates the Corinthia Hotel Budapest, a landmark five-star deluxe hotel located in the heart of Budapest drawing on an unrivalled 112-year history of excellence and tradition. The Company also owns and operates the Royal Residence and the Royal Spa.

The Company's sole shareholder is IHI p.l.c., a company domiciled in Malta.

Review of business and future outlook

The results for the year are set out in the statement of profit or loss and other comprehensive income on page 9 of the financial statements. The loss for the year of €2.52 million (2019 profit: €5.25 million) will be deducted from the retained earnings. Following an impairment assessment, the value of the hotel was impaired by €5 million as shown in the statement of comprehensive income.

Future developments

The consequences of the COVID-19 pandemic early in 2020 had far reaching effects, resulting in disruptions to businesses worldwide. Global border restrictions, local mobility restrictions, and the enforced closure of hotels, food and beverage outlets and other places of entertainment, many of which are still in place, have had a negative impact on the Company, the hospitality industry in general as well as most other economic sectors worldwide. Governments in many countries have responded with monetary and fiscal interventions to assist companies to overcome these unprecedented financial difficulties.

As a result of the pandemic and notwithstanding the measures taken by the Company to curtail its cost and the support provided by the government, the Company experienced a severe curtailment of its business since mid-March 2020. The Company continues to enforce the significant measures to minimise its cost base and is also in receipt of various COVID-19 business assistance programmes aimed at mitigating against the adverse financial impact of this pandemic. The directors and senior management objective is to safeguard the Company's future wellbeing, as well as that of its employees and all stakeholders. The Company took immediate action to curtail its payroll by shedding all part-time workers and other on probation, whilst also terminating all outside labour service providers. Many of the Company employees have also taken drastic cuts in their take home pay. Internal guidelines on operations and staff welfare have also been circulated and updated regularly, especially now, as the Company enters into a phase of re-opening its hotel.

The directors are giving due consideration to the uncertainties and mitigating factors that have been taken across the board in order to ensure the going concern of the Company. The Directors continue to closely monitor the situation on an ongoing basis with a view to minimizing the impact of the COVID-19 pandemic on the Company, the more so now as various governments are lifting border restrictions and local mobility restrictions following an aggressive vaccination process. The Company is also reviewing on an ongoing basis the right-sizing of its operating base, even more so now as the level of business generated will, with the gradual opening of its hotel operations, be lower than that generated in the corresponding period in 2019.

Directors' report - continued

Going concern

The Directors have reviewed the Company's and the IHI p.l.c. Group's operational and cash flow forecasts. Based on this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the Directors confirm, that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Equity

The statement of changes in equity is set out on page 11 of the financial statements.

In 2020, a dividend of €3.6 million has been declared to the parent IHI p.l.c.

Directors

The board of directors is made up as follows:

Frank Xerri de Caro
Joseph Galea
Joseph Pisani

The company's Articles of Association do not require any directors to retire.

Approved by the Board of Directors on 14 May 2021 and signed on its behalf by:

Frank Xerri de Caro
Chairperson

Joseph Pisani
Director

Erzsébet krt 43-49
1073 Budapest
Hungary

Independent auditor's report

To the Directors of IHI Magyarorszag Zrt.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of IHI Magyarorszag Zrt. (the Company) as at 31 December 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.

What we have audited

IHI Magyarorszag Zrt's financial statements, set out on pages 8 to 38, comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

Independent auditor's report - *continued*

To the Directors of IHI Magyarorszag Zrt.

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

We draw attention to Note 3.3 to these financial statements, which describes the impact of COVID-19 on the Company's financial results, cash flows and financial position, and the measures being taken by management in this regard, in view 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 and therefore the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (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, and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 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.

Independent auditor's report - *continued*

To the Directors of IHI Magyarorszag Zrt.

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.

Independent auditor's report - *continued*

To the Directors of IHI Magyarorszag Zrt.

Other matter – use of this report

Our report, including the opinion, has been prepared for and only for the Company's directors and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi,
Malta

Simon Flynn
Partner

14 May 2021

Statement of comprehensive income

	Notes	2020 €'000	2019 €'000
Revenue	5	**6,184**	28,054
Direct costs		**(3,616)**	(13,661)
Gross profit		**2,568**	14,393
Marketing costs		**(428)**	(1,734)
Administrative expenses		**(1,479)**	(4,478)
Other operating expenses		**(552)**	-
Depreciation		**(1,664)**	(1,648)
Results from operating activities	6	**(1,555)**	6,533
Finance income		**187**	35
Finance costs		**(1,071)**	(1,039)
Net finance costs	8	**(884)**	(1,004)
(Loss)/profit before tax		**(2,439)**	5,529
Tax expense	9	**(85)**	(275)
(Loss)/profit for the year - total comprehensive income		**(2,524)**	5,254
Other comprehensive income			
Items that will not be subsequently reclassified to profit Or loss			
Impairment of hotel property		**(5,000)**	-
Income tax relating to component of comprehensive income		**450**	-
Other comprehensive income for the year net of tax		**(4,550)**	-
Total comprehensive income for the year		**(7,074)**	5,254

Statement of financial position

	Notes	2020 €'000	2019 €'000
Assets			
Non-current			
Property, plant and equipment	10	**116,727**	122,743
Right-of-use	10.6	**493**	580
		117,220	123,323
Current			
Inventories	11	**968**	1,049
Trade and other receivables	12	**564**	2,409
Cash and cash equivalents	13	**436**	1,082
		1,968	4,540
Total assets		**119,188**	127,863
Equity			
Called-up share capital	14	**3,862**	3,862
Capital reserve		**6,106**	6,106
Revaluation reserve	15	**35,305**	39,855
Retained earnings	16	**14,377**	20,531
Total equity	20	**59,650**	70,354
Liabilities			
Non-current			
Other financial liabilities	18	**38,729**	39,729
Lease liabilities	10.6	**324**	437
Deferred tax liabilities	19	**5,369**	5,734
Trade and other payables	20	**11,116**	-
		55,538	45,900
Current			
Other financial liabilities	18	**1,169**	124
Trade and other payables	20	**2,219**	10,867
Lease liabilities	10.6	**135**	145
Current taxation		**477**	473
		4,000	11,609
Total liabilities		**59,538**	57,509
Total equity and liabilities		**119,188**	127,863

The financial statements on pages 8 to 38 were authorised for issue by the board of directors on 14 May 2021 and signed on its behalf by:

Frank Xerri de Caro
Chairperson

Joseph Pisani
Director

Statement of changes in equity

	Share capital €'000	Capital reserve €'000	Revaluation reserve* €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2019	**3,862**	**6,106**	**39,855**	**18,732**	**68,555**
Comprehensive income	-	-	-	5,254	5,254
Dividend declared	-	-	-	(3,455)	(3,455)
Balance at 31 December 2019	**3,862**	**6,106**	**39,855**	**20,531**	**70,354**
Balance at 1 January 2020	**3,862**	**6,106**	**39,855**	**20,531**	**70,354**
Comprehensive income	-	-	(4,550)	(2,524)	(7,074)
Dividend declared	-	-	-	(3,630)	(3,630)
Balance at 31 December 2020	**3,862**	**6,106**	**35,305**	**14,377**	**59,650**

* Not available for distribution

Statement of cash flows

	Notes	2020 €'000	2019 €'000
(Loss)/profit before tax		**(2,524)**	5,529
Adjustments	**21**	**1,648**	1,589
Working capital changes:			
Inventories		**81**	13
Trade and other receivables		**1,875**	879
Trade and other payables		**67**	348
Deferred tax on fair value of property		**450**	-
Deferred tax change		**(365)**	-
Cash generated from operating activities		**1,232**	8,358
Tax paid		**4**	(397)
Net cash generated from operating activities		**1,236**	7,961
Investing activities			
Payments to acquire property, plant and equipment		**(760)**	(2,517)
Interest received		**-**	(2)
Net cash used in investing activities		**(760)**	(2,519)
Financing activities			
Shareholding loan repayments*		**(1,000)**	(5,500)
Lease liability		**(122)**	(41)
Net cash used in financing activities		**(1,122)**	(5,541)
Net (decrease) in cash and cash equivalents		**(646)**	(99)
Cash and cash equivalents at beginning of year		**1,082**	1,181
Cash and cash equivalents at end of year	**13**	**436**	1,082

* During the year, the Company repaid €1 million in shareholders' loans. In the previous year, €5.5 million was repaid.

Notes to the financial statements

1. Nature of operations

The Company's main business is connected with the ownership and operation of a hotel and adjacent apartments and spa in Budapest, Hungary.

2. General information

IHI Magyarország Zrt. (the 'Company'), is a limited liability company incorporated in Budapest, Hungary. The Company's registered address is Erzsébet krt. 43-49, 1073 Budapest, Hungary.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements are presented in thousands of Euro (€'000) which is also the functional currency of the Company.

3. Summary of significant accounting policies

This Note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at classified at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), the land and buildings class within property, plant and equipment and investment property – which are measured at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 4 – Critical accounting estimates, judgements and errors).

As at 31 December 2020, the company reported a loss of €2,524,000 (2019: profit of €5,254,000) and its current liabilities exceeded its current assets by €2,032,000 (2019: €7,069,000). These accounts have been prepared on a going concern basis, which assumes that the company will continue operational existence for the foreseeable future. The validity of this assumption depends on the continued support given by the ultimate parent company, Corinthia Palace Hotel Company Limited and its shareholders. The directors have obtained assurances that the ultimate parent company will not call for payment of the amounts due before third party balances are settled and will continue to support financially the company to enable it to meet its liabilities as and when they fall due.

3. Summary of significant accounting policies - continued

3.2 Standards, interpretations and amendments to published standards effective in 2020

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS1 and IAS8
- Definition of a Business – amendments to IFRS3
- Revised Conceptual Framework for Financial Reporting

The Company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle
- COVID-19-Related Rent Concessions – amendments to IFRS16

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2020. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's current or future reporting periods and on foreseeable future transactions.

3.3 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 as adopted by the EU for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the EU that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the following Notes:

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

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

In view of the developments pertaining to the COVID-19 pandemic that commenced during the early part of the reporting period, the Company's operations within the hospitality sector were principally closed or restricted for business for a period of time, in line with the directions given by the health authorities.

3. Summary of significant accounting policies - continued

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 Group's view is that it will remain committed to taking all the necessary actions to mitigate the negative impact that COVID-19 could have on the Company.

These events had a significant impact on the Company's operations during the year under review and on the financial results registered during the year with material adverse impact on the Company's profitability, cash flows and financial position. The directors' views are that the situation is unprecedented. The directors and senior management took a number of cost-saving measures and benefitted from a number of incentives and grants provided in the country in which the Company operates. These combined actions helped significantly in minimising the operating losses and in preserving and extending the Company's financial resources. The directors and senior management remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 is having on the Company. Although the pandemic is still prevalent, there is at least some light at the end of the tunnel. The roll out process of different vaccines is progressing. This is an evolving situation however whilst second and third lockdowns have occurred or are being contemplated.

The ultimate objective is to achieve herd immunity by the end of summer 2021 and whilst there are some delays, with the approval of new vaccines, this objective still remains feasible.

The global pandemic had a significant impact on the hospitality industry, with the Company's hotel, 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 Company ultimately curtailed its principal hospitality and catering businesses as events unfolded. Immediate measures have been adopted to reduce operating costs to the minimum required to secure and maintain the Company's properties, with the objective of preserving financial resources. The Company's most material remaining operating cost is payroll and accordingly the Company has taken immediate action to reduce its payroll-related costs. The Company 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 Government in Hungary, which include outright salary subsidies.

The Company's senior management team has compiled financial projections for the year ending 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. The projected financial information reflects the estimated impact of the prevailing conditions currently experienced, under a scenario which encompasses a set of prudent 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 Company is incorporating minimal forecast revenues for the first semester of 2021. The forecast for the second semester of 2021, once international travel resumes, is based on a fraction of the historical 2019 figures. Hence, the Company is projecting that during 2024, revenue levels will revert to pre COVID-19 benchmarks.

The projections referred to above contemplate the impact of the cost containment and management measures taken, together with Government support in respect of operating expenditure until a maximum of 31 December 2021.

The Company is assessing the resumption of business dates on a specific property and business basis. The Company resumed certain operations in the second semester of 2020 and others during 2021, but this plan, in 2021, is reviewed on an ongoing basis taking into account developments and events as these unfold.

3. Summary of significant accounting policies - continued

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 Group will be reviewing other funding arrangements expected to mature throughout 2021. Interest payment obligations on all such funding arrangements are included within the projections.

The Group is not relying on asset disposals for cash flow purposes and accordingly did not reflect proceeds from disposal of any significant assets during the explicit period of the cash flow projections, although disposals are an option.

The combined effects of the actions effected are to safeguard the Company's financial and liquidity positions to see the business through the period of the pandemic, taking into account the forecasted revenue levels expected to be generated by the Company's hotel and catering businesses within the explicit period of the projections.

Under the cash flow projections, utilising a prudent scenario, the Group is expected to have sufficient liquidity and financial resources to meet its 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 Group is likely to have sufficient resources and funds to meet all its payment obligations 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 throughout the period to 31 December 2021.

The impact of the expected reduction in revenues and deterioration of financial results during the years ended 31 December 2020 and the year ending 31 December 2021 on the fair valuation of the Company's properties is not expected to have a significant impact on the statement of financial position on the basis of the information available at date of signing.

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 ability to continue as a going concern:

- While the Company's analysis assumes a gradual recovery into 2021, limited to a fraction of the business generated in 2019, 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 directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company will be successful in securing:

- continued support from its funding banks and waivers for the forecast covenant breaches in 2021, if required, together with refinancing of other funding arrangements; and
- continued support from the Company's parent, International Hotel Investments p.l.c., which is considered as willing and financially able to support the Company.

3. Summary of significant accounting policies - continued

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

Accordingly, based on the outcome of the Group cash flow projections in a prudent scenario as referred to, the directors and senior management 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 2020 financial statements.

The directors and senior management remain 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.

3.4 Interest-bearing loans

Borrowings, comprising intra-group loans, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.5 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in income statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

3.6 Revenue

Revenue includes revenue from accommodation, food and beverage services, and other ancillary services. The substantial majority of services are provided to customers during their stay at the hotel, and, depending on the type of booking, some services would generally be amalgamated into one 'contract' (for example, bed and breakfast).

Each of the services rendered is assessed to be a distinct performance obligation, and if applicable, the Company allocates the transaction price to each of the services rendered to the customer on a relative basis, based on their stand-alone selling price. Revenue from such operations is recognised over time since the customer benefits as the Company is performing; the majority of revenue relates to accommodation (i.e. the amount allocated to such performance obligation is recognised over the customer's stay at hotel).

3. Summary of significant accounting policies – continued

3.7 Leases

The Company's lease accounting policy where the Company is the lessee is disclosed in Note 10.6

3.8 Operating expenses

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

3.9 Retirement benefit costs

The Company is required to pay defined employer contributions to the State in accordance with local legislation. Pension costs are charged against profit in the period in which the contributions are payable.

3.10 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets to their residual values over their estimated useful lives, as follows:

	Years
Freehold buildings	50
Hotel plant and equipment	2-15
Furniture, fixture and fittings	3-10
Motor vehicles	5

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated.

3. Summary of significant accounting policies - continued

3.10 Property, plant and equipment - continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (refer to Note 3.11). An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

3.11 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from the said goodwill and represent the lowest level within the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. Cash flows and discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.12 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

3. Summary of significant accounting policies - continued

3.12 Financial instruments - continued

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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. The Company's financial liabilities, other than derivative financial instruments, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. 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 Company 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.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The cost of inventories comprises the invoice value of goods and, in general, includes transport and handling costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less and the estimated costs necessary to make the sale.

3.14 Income taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. Summary of significant accounting policies - continued

3.14 Income taxes - continued

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment. Retained earnings include all current and prior period losses and retained profits.

3.17 Provisions, contingent liabilities and contingent assets

Provisions for legal claims and other obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by occurrence, or non-occurrence, of one or more uncertain future event not wholly within the control of the Company, or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

3. Summary of significant accounting policies - continued

4. Critical accounting estimates and judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The fair value of property, plant and equipment and investment properties is determined by using valuation techniques. Further details of the judgements and assumption made are disclosed in Note 10.

This Note highlights information about the fair value estimation of land and buildings and investment property, together with a sensitivity analysis of the effects of shifts in unobservable inputs used in determining these fair values.

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

5. Revenue

	2020 €'000	2019 €'000
Accommodation	**3,173**	18,588
Food and beverages	**1,369**	7,751
Other hotel revenue	**1,642**	1,715
	6,184	28,054

6. Results from operating activities

Results from operating activities are after the following charges:

	2020 €'000	2019 €'000
Operating lease costs	**7**	-
Depreciation of property, plant and equipment (Note 10)	**1,664**	1,648
Auditors' remuneration	**27**	27

7. Personnel expenses

	2020 €'000	2019 €'000
Wages and salaries	**1,818**	3,641
Casual workforce	**344**	2,128
Payroll related taxes	**191**	733
Other payroll related expenses	**68**	429
	2,421	6,931

In response to the COVID-19 coronavirus pandemic, the Company has benefitted from various schemes adopted by the government. The Company received grants amounting to €0.2m. This grant has been netted off against the wages and salaries amount disclosed above.

7.2 Average number of employees

	2020	2019
Management and administrative	**25**	62
Operating	**85**	301
	110	363

8. Finance income and finance costs

	2020 €'000	2019 €'000
Interest income on:		
Other financial income	**-**	2
Exchange gain-net	**49**	(105)
Other income from Parent*	**138**	138
Finance income	**187**	35
Interest expense on:		
Interest on group balances	**(1,069)**	(1,037)
Other charges	**(2)**	(2)
Finance costs	**(1,071)**	(1,039)
Net finance costs	**(884)**	(1,004)

* The hotel building was pledged as collateral against a bond issued by the parent company amounting to €55 million. Interest receivable in relation to the collateral provided was accrued for at 0.25% or €137,877.

9. Tax expense

	2020 €'000	2019 €'000
Current taxation	**-**	(360)
Deferred taxation (Note 19)	**(85)**	85
	(85)	(275)

In 2020, the corporate income tax rate in Hungary was 9% for taxable profit.

Refer to Note 19 for information on the entity's deferred tax assets and liabilities.

	2020 €'000	2019 €'000
(Loss)/profit before tax	**(2,439)**	5,529
Income tax using the Company's domestic tax rate	**(219)**	498
Effect of non-deductible expenses	**304**	(223)
Tax expense	**(85)**	275

10. Property, plant and equipment

	Land and buildings €'000	Plant and equipment €'000	Furniture, fixtures and fittings €'000	Assets in the course of construction €'000	Total €'000
Cost/revalued amount					
Balance at 1 January 2019	**144,685**	**9,850**	**5,369**	**213**	**160,117**
Additions	582	-	-	2,524	3,106
Reallocations	1,985	277	206	(2,468)	-
Disposals	-	(197)	(30)	-	(227)
Balance at 31 December 2019	**147,252**	**9,930**	**5,545**	**269**	**162,996**
Balance at 1 January 2020	**147,252**	**9,930**	**5,545**	**269**	**162,996**
Additions	-	-	-	561	561
Reallocations	665	75	24	(764)	-
Balance at 31 December 2020	**147,917**	**10,005**	**5,569**	**66**	**163,557**
Depreciation and impairment losses					
Balance at 1 January 2019	**24,592**	**8,950**	**4,701**	**-**	**38,243**
Depreciation for the year	1,244	302	102	-	1,648
Disposals	-	(190)	(28)	-	(218)
Balance at 31 December 2019	**25,836**	**9,062**	**4,775**	**-**	**39,673**
Balance at 1 January 2020	**25,836**	**9,062**	**4,775**	**-**	**39,673**
Depreciation for the year	1,357	198	109	-	1,664
Impairment charge	5,000	-	-	-	5,000
Balance at 31 December 2020	**32,193**	**9,260**	**4,884**	**-**	**46,337**
Carrying amounts					
At 1 January 2019	120,093	900	668	213	121,874
At 31 December 2019	121,416	868	770	269	123,323
At 31 December 2020	**115,724**	**745**	**685**	**66**	**117,220**

10. Property, plant and equipment - continued

10.1 Fair valuation of property

The disclosure below, including the sensitivities to shifts in unobservable fair value inputs, reflects the events and circumstances existent as at 31 December 2020, and do not take into account the events after reporting period.

In 2020, the directors appointed independent professionally qualified property valuers having appropriate recognised professional qualifications and the necessary experience. The valuation process resulted in the book value of the property being adjusted as at year end. The resultant downward shift of €5m has been accounted for.

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which, the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Company's land and buildings, within property, plant and equipment, consists principally of hotel property that is owned and managed by companies forming part of the Corinthia Group.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

Valuation processes

Where management, through its assessment, concludes that the fair value of properties differs materially from its carrying amount, an independent valuation report prepared by third party qualified valuers, is performed. These reports are based on both:

- information provided by the Company which is derived from the Company's financial systems and is subject to the Company's overall control environment; and

- assumptions and valuation models used by the valuers, with assumptions being typically market related and based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the Company. This includes a review of fair value movements over the period.

Income capitalisation or discounted cash flow ('DCF') approach considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

10. Property, plant and equipment - continued

10.1 Fair valuation of property - continued

Earnings before interest, taxes, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor. Estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

Adjusted sales comparison approach: a sales price per square metre or per room related to transactions in comparable properties located in proximity to the respective property, with adjustments for differences in the size, age, exact location and condition of the property.

The table below include information about fair value measurements of the hotel property (classified within property, plant and equipment) using significant unobservable inputs (Level 3). Following an independent valuation, the fair value of the hotel property was impaired by €5m, which was accounted for in the statement of comprehensive income.

10. Property, plant and equipment - continued

10.1 Fair valuation of property - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020 and 2019

Description by class highest and best use					
Current use as hotel (classified as property, properties plant and equipment):					
		EBITDA Range 2020	**Pre-tax WACC 2020 %**	**Growth rate 2020 %**	**Capitalisation rate 2020 %**
		FY21-FY25			
Income capitalisation approach (DCF) 31 December 2020	**116,727**	**€1.65m - €9.4m**	**8.48**	**2.00**	**6.48**
Adjusted sales comparison approach 31 December 2019	122,744	Sales price per square meter €1,769			

In relation to the DCF approach, an increase in the projected level of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value. With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the resultant fair valuation.

As at 31 December 2020, as evidenced in the tables above, the highest and best use of the Company properties is equivalent to their current use.

A shift in discount rate of +/- 0.5% and in EBITDA by 5% for 2020 would result in a shift in property valuation of +/- €11.1 million and +/- €7.7 million respectively.

10.2 Adjustments to carrying amount of property

Revaluation surplus and impairment charges recognised in other comprehensive income (within revaluation reserve), gross of deferred tax:

	€'000
At 1 January 2019, 31 December 2019 and 1 January 2020	46,096
Revaluation of hotel property carried out at year end, gross of deferred tax	(5,000)
At 31 December 2020	**41,096**

10. Property, plant and equipment - continued

10.3 Carrying amount of hotel property

Following adjustments to the hotel property carrying amount as referred to above at each reporting period, the carrying amount of the hotel property is €116.73 million (2019: €122.74 million).

10.4 Historic cost of hotel property

The carrying amounts of the land and buildings that would have been included in these financial statements had these assets been carried at cost less accumulated depreciation thereon would be €97.097 million (2019: €122.453 million).

10.5 Use as collateral

The hotel property is pledged as collateral against a bond issued by the parent company.

10.6 Leases

This Note provides information for leases where the Company is a lessee.

i. Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2020 €'000	31 December 2019 €'000
Right-of-use assets		
Plant & equipment	**471**	552
Motor vehicles	**22**	28
	493	580
Lease liabilities		
Current	**135**	145
Non-current	**324**	437
	459	582

There were no additions to the Company's right-of-use assets during the 2020 (2019: €0.58 million).

ii. Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2020 €'000	1 January 2020 €'000
Depreciation charge of right-of-use assets		
Plant & equipment	**80**	29
Motor vehicles	**6**	14
	86	43

10. Property, plant and equipment - continued

10.6 Leases - continued

iii. The Company's leasing activities and how these are accounted for

The Company leases equipment, and motor vehicles. Contracts are made for periods up to 6 years and may include extension options as described further below. The Company's leases pertain to equipment and motor vehicles, and are typically made for periods of up to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees; and
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and for other items specific to the leased asset.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

11. Inventories

	2020 €'000	2019 €'000
Food and beverages	**106**	181
Cleaning materials and consumables	**137**	137
Stationery and promotional material	**47**	42
Utensils, crockery, cutlery, chinaware and linen	**678**	689
	968	1,049

12. Trade and other receivables

	2020 €'000	2019 €'000
Trade receivables	**56**	1,774
Amounts owed by:		
Parent Company	**-**	12
Group company	**44**	20
Other related company	**14**	7
Other debtors	**24**	58
Financial assets	**138**	1,871
Advance payments in respect of capital creditors	**310**	394
Prepayments	**116**	144
Total receivables - current	**564**	2,409

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 €'000	2019 €'000
Opening loss allowance as at 1 January	**68**	57
Receivables written off during the year as uncollectible	**(43)**	(40)
Increase in loss allowance recognised in profit or loss	**-**	40
Impairment losses reversals	**1**	11
Balance at 31 December	**26**	68

The impairment loss in 2020 and 2019 relates to specific provision for doubtful debtors that have been overdue for more than one year. Such balances were unsecured.

The provision accounts in respect of trade receivables are used to record impairment losses unless the Company deems that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly. The Company's impairment model for trade receivables is disclosed in Note 24.1.

The carrying amount of trade and other receivables is considered to be a reasonable approximation of fair value.

13. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2020 €'000	2019 €'000
Bank balances	**349**	974
Cash in hand	**87**	108
Cash and cash equivalents in the statement of cash flows	**436**	1,082

14. Share capital

14.1 Authorised and issued share capital

	Ordinary shares of €1 each	
	2020 €'000	2019 €'000
On issue at 1 January (100,000 ordinary shares)	**3,862**	3,862
On issue at 31 December - fully paid up (100,000 ordinary shares)	**3,862**	3,862

14.2 Shareholders rights

Shareholders are entitled to vote at shareholders' meetings of the Company on the basis of one vote for each share held. They are entitled to receive dividends as declared from time to time. The shares in issue shall, at all times, rank *pari passu* with respect to any distribution whether of dividends or capital, in a winding up or otherwise.

15. Revaluation reserve

At 31 December 2020, the property was assessed for impairment and the value of the Hotel was impaired by €5.00 million. The movement on revaluation reserve was of €4.55 million, net of deferred tax.

16. Retained earnings

The loss of €2.52 million has been transferred to retained earnings as set out in the statement of changes in equity for the year ended 31 December 2020.

17. Capital management policies and procedures

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the Company defines as the profit for the year divided by total equity.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company seeks to maximise the return on shareholders' equity and to reduce the incidence of interest expense.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

18. Other financial liabilities

	2020 €'000	2019 €'000
Amounts owed to:		
Parent company (IHI p.l.c.)	**38,729**	39,729
Group company	**1,169**	124
	39,898	39,853
Non-current liabilities		
Amounts owed to:		
Parent company	**38,729**	39,729
	38,729	39,729
Current liabilities		
Amounts owed to:		
Group company	**1,169**	124
	1,169	124

The terms of the amounts owed to the related parties are as follows:

	€'000	Interest	Terms Repayable by	Security
IHI p.l.c.	25,869	4% (2019: 4%)	Non-current	None
IHI p.l.c.	12,860	0%	Non-current	None
Group company	1,169	6M Euribor + 1%	Current	None
	39,898			

19. Deferred tax assets and liabilities

	2020 €'000	2019 €'000
Excess of tax base over carrying amount of tangible fixed assets	**(904)**	(273)
Tax effect on revaluation of land and buildings	**(5,169)**	(5,619)
Provision for exchange differences	**139**	158
Unrelieved tax losses	**565**	-
	(5,369)	(5,734)

The movement in the deferred tax can be analysed as follows:

	2020	2019
Recognised in other comprehensive income	**450**	-
Recognised in profit or loss	**(85)**	85
	365	85

20. Trade and other payables

	2020 €'000	2019 €'000
Non-current		
Parent company (IHI Plc)	11,116	-
Total payables non - current	**11,116**	-
Current		
Trade payables	**121**	770
Parent company (IHI Plc)	**-**	6,211
Other related companies	**-**	44
Other creditors	**217**	869
Accruals	**997**	2,509
Financial liabilities	**1,335**	10,403
Advance payments	**884**	464
Total payables - current	**2,219**	10,867

The carrying amount of trade and other payables is considered a reasonable approximation of fair value in view of the short-term nature of these instruments.

21. Cash flow adjustments

	2020 €'000	2019 €'000
Adjustments:		
Depreciation	**1,664**	1,648
Unrealized foreign exchange gain/loss net	**(17)**	(60)
Finance cost-net	**1**	1
	1,648	1,589

21.1 Reconciliation of financial liabilities

	Liabilities from financing activities	
	Other financial liabilities 2020 €'000	Other financial liabilities 2019 €'000
As at 1 Jan		
- Principal	**(39,729)**	(45,229)
- Net	**(39,729)**	(45,229)
Cash flows	**1,000**	5,500
Other movements	**-**	-
As at 31 December	**(38,729)**	(39,729)
Comprising:		
- Principal	**(38,729)**	(39,729)
- Accrued interest	**-**	-
As at 31 December	**(38,729)**	(39,729)

22. Commitments

	2020 €'000	2019 €'000
Capital expenditure		
Contracted capital expenditure	**700**	686

23. Related parties

The Company's related parties include its associates, key management, fellow subsidiaries and shareholders of ultimate parent company. None of the transactions incorporates special terms and conditions and no guarantees were given or received. Transactions with related companies are generally effected on a cost plus basis or on the basis of pre agreed arrangements. Outstanding balances are usually settled by bank payment. Amounts owed by/to related parties are shown separately in Notes 12, 18, 20.

	2020 €'000	2019 €'000
Revenue		
Services rendered to		
Parent company	**-**	(5)
Subsidiaries	**(92)**	(320)
Other related parties	**(14)**	(56)
	(106)	(381)
Expenses		
Charged by Corinthia Hotels Limited	**104**	353
Charged by Corinthia group members	**5**	5
	109	358
Marketing costs		
Charged by Corinthia Hotels Limited	**91**	316
Charged by Corinthia group members	**36**	55
	127	371
Administrative expenses		
Management fee charged by Parent company	**146**	277
Management & incentive fee charged by CHL	**123**	1,316
	269	1,593
	644	1,941
Financing expense		
Interest expense – Parent company	**1,044**	1,035
Interest expense – Subsidiaries	**2**	2
Interest income – Parent company	**(138)**	(137)
	908	900

23.1 Transactions with key management personnel

In addition to the remuneration paid to the directors, in the course of its operations, the Company has a number of arrangements in place with its officers, executives and other related parties whereby concessions are made available for hospitality services rendered to them according to accepted industry norms.

24. Risk management objectives and policies

The Company is exposed to various risks through its use of financial instruments. The main types of risks are market risk, credit risk and liquidity risk, which result from both its operating and investing activities. The Company's risk management is coordinated at its head office, in close co-operation with the board of directors and the audit committee and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The most significant financial risks to which the Company is exposed to are described below. See also Note 24.4 for a summary of the Company's financial assets and liabilities by category.

24.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2020 €'000	2019 €'000
Classes of financial assets – carrying amounts		
Trade and other receivables	**138**	1,871
Bank balances	**349**	974
	487	2,845

The maximum exposure to credit risk at the end of the reporting period in respect of financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective Notes to the financial statements. The Company does not hold any significant collateral in this respect.

The Company has, over the years, conducted business with various corporates, tour operators and individuals located in different jurisdictions and, due to the spread of the Company's debtor base, there is no concentration of credit risk.

24. Risk management objectives and policies - continued

24.1 Credit risk - continued

The Company has a credit policy in place under which new customers are analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Customers that fail to meet the Company's benchmark creditworthiness may only transact with the Company only on a cash basis.

In monitoring customer credit risk, customers are individually assessed. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are only made on a prepayment basis.

The Company does not ask for any collateral in respect of trade and other receivables. The Company establishes an allowance for doubtful recoveries that represents its estimate of losses in respect of trade and other receivables. See Note 12 for further information on impairment of financial assets that are past due.

Impairment of financial assets

The Company has three types of financial assets that are subject to the expected credit loss model:

- trade receivables and contract assets relating to the provision of services;
- other financial assets at amortised cost, comprising loans receivable from related parties and, in the case of the Company, subsidiary undertakings; and
- cash and cash equivalents.

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets since they have substantially the same characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 3 to 4 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology the company concluded trade receivables and contract assets are adequately provided for.

24.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Note 3.3 discloses the measures that the Group has taken and is currently taking to manage the impact of the economic situation pursuant to the outbreak of COVID-19 subsequent to year-end.

24. Risk management objectives and policies - continued

24.2 Liquidity Risk - continued

The Company actively manages its cash flow requirements. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company depends on the continued support given by the ultimate parent company Corinthia Palace Hotel Company Limited and its shareholders. The Group's liquidity risk is actively managed taking cognisance of the matching of operational cash inflows and outflows arising from expected maturities of financial instruments, attributable to the Group's different operations, together with the Group's committed bank borrowing facilities and other financing that it can access to meet liquidity needs.

At 31 December 2020 and 31 December 2019, the Company has financial liabilities including estimated interest payments with contractual maturities which are summarised below:

31 December 2020	Current	Non-current	
	Within 1 year €'000	2-5 years €'000	More than 5 years €'000
Parent company loan	-	-	38,729
Other interest bearing borrowings	11,169	-	-
Trade and other payables	2,219	-	11,116
Lease liability	135	324	-
	13,523	**324**	**49,845**

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

31 December 2019	Current	Non-current	
	Within 1 year €'000	2-5 years €'000	More than 5 years €'000
Parent company loan	1,028	4,139	40,324
Other interest bearing borrowings	124	-	-
Trade and other payables	10,403	-	-
Lease liabilities	145	432	-
	11,700	**4,571**	**40,324**

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the balance sheet date.

24.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

24. Risk management objectives and policies - continued

24.3.1 Foreign currency risk - continued

The Company operates internationally and is exposed to currency risk on sales and purchases that are denominated in a currency other than its functional currency which is the Euro. The currency giving rise to the highest risk is the Hungarian Forint (HUF).

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

The company's revenues, purchase and operating expenditure, financial assets and liabilities, are mainly denominated in Euro except for financial assets amounting to €65,192 and financial liabilities amounting to €12,643 which are denominated in HUF.

At 31 December 2020, if the EUR had weakened/strengthened by 10% against the HUF with all other variables held constant, post-tax profit for the year would have been €5,255 lower/€5,255 higher as a result of foreign exchange losses/gains on translation of the EUR denominated borrowings.

24.4 Summary of financial assets and liabilities by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See Note 3.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2020 €'000	2019 €'000
Current assets		
Financial assets at amortised cost		
- Amounts due from related companies	**58**	39
- Trade receivables	**56**	1,774
- Other receivables	**24**	58
Cash and cash equivalents	**436**	1,082
	574	2,953
Non-current liabilities		
Financial liabilities measured at amortised cost		
- Parent company loan	**38,729**	39,729
	38,729	39,729
Current liabilities		
Financial liabilities measured at amortised cost		
- Other interest-bearing borrowings	**1,169**	124
- Trade payables	**121**	770
- Amounts due to related companies	**11,116**	6,255
- Other payables	**217**	1,014
- Accruals	**997**	2,509
	13,620	10,672

25. Parent company

The Company is a subsidiary of International Hotel Investments p.l.c. (IHI p.l.c.), the registered office of which is situated at 22, Europa Centre, Floriana, Malta. The Company's ultimate parent company is Corinthia Palace Hotel Company Limited, the registered office of which is the same as that of IHI p.l.c.

The parent company prepares consolidated financial statements of which the Company forms part. These financial statements are filed and are available for public inspection at the Registry of Companies in Malta.

26. Directors

The Company has three directors who received a total remuneration of €20,000 for the current period (2019: €20,000).

Approved by the Board of Directors on 14 May 2021 and signed on its behalf by:

Frank Xerri de Caro
Chairperson

Joseph Pisani
Director

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Hungary