

CORINTHIA FINANCE P.L.C.

Annual Report and Financial Statements
For the year ended 28 February 2021

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Directors' report

The directors present their report of Corinthia Finance p.l.c. (the "Company"), for the year ended 28 February 2021.

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 €6,715. The Company's financial position as at 28 February 2021 is set out on page 22 of the Financial Statements.

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

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

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.

Directors' report - continued

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. Refer to Note 2, for the Directors' assessment of the going concern assumption.

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.

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.

Directors' report - continued

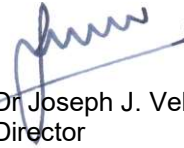
Auditor

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

31 May 2021

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 31 May 2021 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

Principle 3: Composition of the board - 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:

| <i>Executive director</i> | <i>Date of first appointment</i> |
|--------------------------------|----------------------------------|
| Mr Joseph Fenech | 9 September 1999 |
| <i>Non-executive directors</i> | <i>Date of first appointment</i> |
| 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 31 May 2021, 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 | 4 |
| Dr Joseph J. Vella | 4 |
| Mr Frank Xerri de Caro | 4 |
| Mr Mario P. Galea | 4 |

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.

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 31 May 2021 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

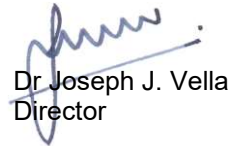
Company secretary and registered office

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

Signed on behalf of the board of directors on 31 May 2021 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 28 February 2021, amount to €21,000.

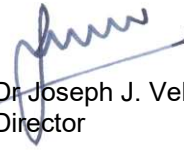
| | Fixed remuneration (incl. fixed base salary and directors' fees) | Fixed remuneration paid in view of salary cuts | Share options | Others |
|---|---|---|----------------------|---------------|
| Mr Joseph Fenech, Executive Chairman | €6,000 | €3,975 | N/A | - |
| Mr Frank Xerri de Caro, Senior Non-Executive Director | €5,000 | €3,312 | N/A | - |
| Dr Joseph J Vella, Independent Non-Executive Director | €5,000 | €3,312 | N/A | - |
| Mr Mario Galea, Independent Non-Executive Director | €5,000 | €3,312 | N/A | - |
| Total (aggregate) | €21,000 | €13,911 | 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



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:

- The financial statements give a true and fair view of the financial position of Corinthia Finance p.l.c. (the Company) as at 28 February 2021, 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 22 to 40 comprise:

- the statement of total comprehensive income for the year ended 28 February 2021;
- the statement of financial position as at 28 February 2021;
- 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.

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 2020 to 28 February 2021, 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 impact of COVID-19 on the Company's financial results, cash flows and financial position, and those attributable to the group of companies of which the Company forms part, 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 ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- Overall materiality: €419,900, 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 12 to the financial statements. The company facilitates the Corinthia group in its financing activities for which it receives a margin.



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.

| | |
|---|---|
| <i>Overall materiality</i> | €419,900 |
| <i>How we determined it</i> | 1% of total assets |
| <i>Rationale for the materiality benchmark applied</i> | 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 €41,900 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:



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 |
|---|--|
| <p><i>Recoverability of balances with parent company</i></p> <p>Loan and receivables include loan balance with the parent company, Corinthia Palace Hotel Company Limited, amounting to €39,910,000 as at 28 February 2021. Refer to note 8.</p> <p>As explained in accounting policy note 3.4, the recoverability of the loan is assessed at the end of each financial year.</p> <p>The loan represent the principal asset of the company, which is why we have given additional attention to this area.</p> | <p>We have agreed the terms surrounding the loan to supporting loan agreement and agreed outstanding balance as at year end with results of procedures carried out at a Group level.</p> <p>We have assessed the financial soundness of the parent company, Corinthia Palace Hotel Company Limited, which is also the guarantor of the company's bond. 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.</p> <p>Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of this loan.</p> <p>We also assessed the impact of events that occurred during 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.</p> |

Other information

The directors are responsible for the other information. The other information comprises all of the information in the Annual 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.



Independent auditor's report - continued

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

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.



Independent auditor's report - continued

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

- 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, actions taken to eliminate threats or safeguards applied.

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

The *Annual Report and Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.



Independent auditor's report - continued

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

| Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|--|---|
| <p>Directors' report (on pages 1 to 3)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p> | <p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p> | <p>In our opinion:</p> <ul style="list-style-type: none"> 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p> |
| <p>Directors' statement of Compliance with the Code of Principles of Good Corporate Governance (on pages 5 to 9)</p> <p>The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix</p> | <p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> | <p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p> |



Independent auditor’s report - continued

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

| Area of the Annual Report and Financial Statements 2021 and the related Directors’ responsibilities | Our responsibilities | Our reporting |
|--|--|---|
| <p>5.1 to Chapter 5 of the Listing Rules. The Statement’s required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p> | <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>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.</p> | <p>We have nothing to report to you in respect of these responsibilities.</p> |
| <p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not the financial statements are not in agreement with the accounting records and returns. we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. | | |



Independent auditor's report - continued

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

| Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities | Our responsibilities | Our reporting |
|---|----------------------|---------------|
|---|----------------------|---------------|

We also have responsibilities 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.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, 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.

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 6 years.

PricewaterhouseCoopers

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

Simon Flynn
Partner

31 May 2021

Statement of total comprehensive income

| | Notes | Year ended 28 February 2021 € | Year ended 29 February 2020 € |
|--|-------|-------------------------------------|-------------------------------------|
| Finance income | 5 | 1,750,004 | 2,031,052 |
| Finance costs | 5 | (1,700,000) | (1,973,750) |
| Net interest earned | | 50,004 | 57,302 |
| Administrative expenses | 6 | (39,675) | (46,091) |
| Profit before tax | | 10,329 | 11,211 |
| Tax expense | 7 | (3,614) | (2,731) |
| Profit for the year | | 6,715 | 8,480 |
| Total comprehensive income for the year | | 6,715 | 8,480 |

The notes on pages 26 to 40 are an integral part of these financial statements.

Statement of financial position

| | Notes | 28 February 2021 € | 29 February 2020 € |
|-------------------------------------|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-current | | | |
| Loans owed by parent company | 8 | 39,910,000 | 39,910,000 |
| Total non-current assets | | 39,910,000 | 39,910,000 |
| Current | | | |
| Receivables | 9 | 1,924,129 | 1,914,294 |
| Other financial assets | | 20,150 | 20,150 |
| Cash and cash equivalents | 10 | 73,169 | 113,266 |
| Total current assets | | 2,017,448 | 2,047,710 |
| Total assets | | 41,927,448 | 41,957,710 |
| EQUITY | | | |
| Share capital | 11 | 250,000 | 250,000 |
| Retained earnings | | 9,628 | 2,913 |
| Total equity | | 259,628 | 252,913 |
| Non-current liabilities | | | |
| Bonds in issue | 12 | 40,000,000 | 40,000,000 |
| Total non-current liabilities | | 40,000,000 | 40,000,000 |
| Current liabilities | | | |
| Payables | 13 | 1,667,820 | 1,704,797 |
| Total liabilities | | 41,667,820 | 41,704,797 |
| Total equity and liabilities | | 41,927,448 | 41,957,710 |

The notes on pages 26 to 40 are an integral part of these financial statements.

The financial statements on pages 22 to 40 were approved by the board of directors, authorised for issue on 31 May 2021 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 March 2019 | 250,000 | 94,433 | 344,433 |
| Comprehensive income: | | | |
| Profit for the year | - | 8,480 | 8,480 |
| Total comprehensive income for the year | - | 8,480 | 8,480 |
| Transactions with owners: | | | |
| Dividend | - | (100,000) | (100,000) |
| At 29 February 2020 | 250,000 | 2,913 | 252,913 |
| At 1 March 2020 | 250,000 | 2,913 | 252,913 |
| Comprehensive income: | | | |
| Profit for the year | - | 6,715 | 6,715 |
| Total comprehensive income for year | - | 6,715 | 6,715 |
| At 28 February 2021 | 250,000 | 9,628 | 259,628 |

The notes on pages 26 to 40 are an integral part of these financial statements.

Statement of cash flows

| | Notes | Year ended 28 February € | Year ended 29 February 2020 € |
|---|-------|--------------------------------|-------------------------------------|
| Cash flows from operating activities | | | |
| Cash used in operating activities | 14 | (98,849) | (30,661) |
| Tax paid | | (8,335) | (9,228) |
| Net cash used in operating activities | | (107,184) | (39,889) |
| Cash flows from investing activities | | | |
| Proceeds from repayment of loans owed by parent company | | - | 5,960,000 |
| Interest received | | 1,767,087 | 2,482,084 |
| Proceeds from liquidation of sinking fund | | - | 1,581,697 |
| Net cash generated from investing activities | | 1,767,087 | 10,023,781 |
| Cash flows from financing activities | | | |
| Payments for redemption of bonds | | - | (7,500,000) |
| Interest paid | | (1,700,000) | (2,390,000) |
| Net cash used in financing activities | | (1,700,000) | (9,890,000) |
| Net change in cash and cash equivalents | | (40,097) | 93,892 |
| Cash and cash equivalents at beginning of year | | 113,266 | 19,374 |
| Cash and cash equivalents at end of year | 10 | 73,169 | 113,266 |

The notes on pages 26 to 40 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 (CPHCL) of the same address.

The financial statements are presented in euro (€), which is also the functional currency of the Company.

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events

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 commenced during the early part of the reporting period, CPHCL Group’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 of the jurisdictions within which the Group operates.

These events had a significant impact on CPHCL Group’s operations during the year under review and on the financial results registered during the year with material adverse impact on CPHCL Group’s profitability, cash flows and financial position. The Board’s views are that the situation is unprecedented. The directors and senior management of CPHCL implemented a number of cost-saving measures and benefitted from a number of incentives and grants provided in the countries in which the Group operates. These combined actions helped significantly in minimising the operating losses and in preserving and extending the Group’s financial resources. The directors and senior management of the Company and CPHCL Group remain committed to taking all necessary actions to mitigate the negative impact that COVID-19 is having on the Company and the Group. 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 across all countries where the Group operates is progressing, in some countries faster than others and as of late gathering a sustained momentum.

2. Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

This is an evolving situation however whilst second and third lockdowns have occurred or are being contemplated, one is also mindful that some of those European countries that have taken early lockdown precautions and are gaining momentum in their vaccination program are now easing measures to revert to normality. The ultimate objective is to achieve herd immunity by the end of June 2021 in Malta and by the end of summer 2021 in the UK and the other European Union member states and whilst there are some delays, with the approval of new vaccines this objective still remains feasible.

CPHCL's board of directors has directed the compilation of Company specific and CPHCL Group financial projections for the year ending 28th February 2022 and 31 December 2021 respectively, 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 future impact of the pandemic 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 prevailing conditions currently experienced, under a scenario which encompasses a set of prudent assumptions that capture the forecast business conditions until the dates referred to above. 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 first semester of 2021 with the exception of the St Petersburg and Tripoli operations where the situation is more bullish. The forecast for the second semester of 2021, once international travel resumes, is based on a fraction of the historical 2019 figures. Hence the Group is only 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 various jurisdictions in respect of operating expenditure until a maximum of 31 December 2021.

The CPHCL Group is assessing the resumption of business dates on a specific property and business basis. The Group 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.

The Group has been successful in securing banking facilities with local banks under the Malta Development Bank COVID-19 Guarantee Scheme, with the approved facilities amounting to the maximum amount possible under the Scheme. Although the approved loans have not been fully drawn as at the date of approval of these financial statements, the entire amount of the facilities is included as liquidity inflows for the Group later on in 2021.

During 2020, 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 most of its principal lending banks to defer capital and in some cases interest payments too, which deferrals are reflected within the Group's projections. These moratoria on interest and capital not only cover 2020 but, in some instances, also extend to the first part of 2021.

2. Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

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

The Group is not relying on asset disposals other than the planned sale of the penthouse apartment in London 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 majority of the funds that will be received from the penthouse sale will be applied towards the settlement of the bank loan on the said penthouse and in supporting the partial repayment of the bank loan on the London hotel.

The combined effects of the actions effected are to safeguard the Group'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 Group's hotels 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 as these fall due, 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 expects to have sufficient resources and funds to meet all its 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 Group throughout the period to 31 December 2021.

The impact of the expected reduction in revenues and deterioration of financial results during the year ended 31 December 2020 and the year ending 31 December 2021 on the fair valuation of the Group's properties is not expected to have a significant impact on the Statement of Financial Position of the Group 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 and CPHCL Group's ability to continue as a going concern:

- While the Group'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 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. Different plausible scenarios may impact the valuation of related assets in a significant manner.
- The projected cash flows in relation to Libya entities for the purpose of reviewing the going concern principle remain subjective and difficult to predict due to the current market environment, also taking into account the COVID-19 pandemic. Having stated this, however, the projected cash flow generation from the Libya operations is based on prudent assumptions, to reflect this level of unpredictability.

2. Basis of preparation - continued

Assessment of the appropriateness of the going concern assumption taking cognisance of the COVID-19 related events - continued

- The Group continues to be dependent on the continued support of its bankers for its financing, and on successfully negotiating waivers of bank covenants, if required, when these fall due.

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 Group 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.

Accordingly, based on the outcome of the cash flow projections in a 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 February 2021 financial statements.

The board of directors 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.

Standards and amendments to existing standards effective 1 March 2020

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 March 2020 that have a material effect on the financial statements of the Company.

New standards, amendments and interpretations effective after 1 January 2020 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 2020 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.

3. Summary of accounting policies - continued

3.1 Overall considerations - continued

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

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. Summary of accounting policies - continued

3.4 Financial assets - continued

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.

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. The recoverability of the loan is assessed at the end of each financial year. 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 year is the tax payable on the current year'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.

3. Summary of accounting policies - continued

3.6 Income tax - continued

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.

3.8 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 consist of the following:

| | 28 February 2021 | 29 February 2020 |
|--|-------------------------|------------------|
| | € | € |
| Interest charged on loans owed by parent company | 1,750,000 | 2,025,088 |
| Others | 4 | 5,964 |
| Finance income | 1,750,004 | 2,031,052 |
| <hr/> | | |
| Interest on bonds | (1,700,000) | 1,973,750 |
| Finance costs | (1,700,000) | 1,973,750 |
| <hr/> | | |

6. Expenses by nature

| | 28 February 2021 | 29 February 2020 |
|-------------------------|-------------------------|------------------|
| | € | € |
| Directors' remuneration | 21,000 | 21,000 |
| Other expenses | 18,675 | 25,091 |
| | 39,675 | 46,091 |
| <hr/> | | |

Auditor's fees

Fees charged by the auditor for services rendered during the financial year ended 2021 and 2020 relate to the following:

| | 28 February 2021 | 29 February 2020 |
|-------------------------|-------------------------|------------------|
| | € | € |
| Annual statutory audit | 9,000 | 9,500 |
| Tax compliance services | 895 | 500 |
| | 9,895 | 10,000 |
| <hr/> | | |

7. Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Company at 35% (2020: 35%) and the tax expense actually recognised in the statement of total comprehensive income can be reconciled as follows:

| | 28 February 2021 | 29 February 2020 |
|---|-------------------------|------------------|
| | € | € |
| Profit before tax | 10,329 | 11,211 |
| Tax on profit at 35% | (3,615) | (3,924) |
| Tax effect of: | | |
| Income subject to a different rate of tax | 1 | 1,193 |
| Actual tax expense | (3,614) | (2,731) |
| Comprising: | | |
| Current tax | (3,614) | (2,731) |

8. Loans owed by parent company

| | Security | Interest rate | Repayable by | 28 February 2021 | 29 February 2020 |
|---------|-----------------|----------------------|---------------------|-------------------------|------------------|
| | | | | € | € |
| Loan VI | None | 4.375% | 5 April 2026 | 39,910,000 | 39,910,000 |

The loan ranks 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 bond, the fair value of Loan VI is €39,915,000.

9. Receivables

| | 28 February 2021 | 29 February 2020 |
|--------------------------------|-----------------------------|---------------------|
| | € | € |
| Current | | |
| Amounts owed by parent company | 344,268 | 317,153 |
| Accrued interest income | 1,579,861 | 1,596,944 |
| Prepayments | - | 197 |
| | 1,924,129 | 1,914,294 |

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.

10. Cash and cash equivalents

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

| | 28 February 2021 | 29 February 2020 |
|--------------|-----------------------------|---------------------|
| | € | € |
| Cash at bank | 73,169 | 113,266 |

11. 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.

| | 28 February 2021 | 29 February 2020 |
|---------------------------------------|-----------------------------|---------------------|
| | € | € |
| 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 |

12. Bonds in issue

| | Interest rate | Repayable by | 28 February 2021 € | 29 February 2020 € |
|--------|----------------------|---------------------|----------------------------------|--------------------------|
| Bond V | 4.25% | 12 April 2026 | 40,000,000 | 40,000,000 |

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 28 February 2021 for Bond V was €100 (as at 29 February 2020: €105).

13. Payables

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

| | 28 February 2021 € | 29 February 2020 € |
|------------------------------------|----------------------------------|--------------------------|
| Current | | |
| Accrued interest on bonds in issue | 1,506,389 | 1,506,389 |
| Other accruals | 25,529 | 17,120 |
| Other payables | 135,902 | 181,288 |
| | 1,667,820 | 1,704,797 |

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

14. Cash flow adjustments and changes in working capital

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

| | 28 February 2021 | 29 February 2020 |
|--------------------------------|-----------------------------|---------------------|
| | € | € |
| Operating profit | 10,329 | 11,211 |
| Adjustments: | | |
| Interest income | (1,750,004) | (2,031,052) |
| Interest expense | 1,700,000 | 1,973,750 |
| Changes in working capital: | | |
| Change in receivables | (26,919) | (71,311) |
| Change in payables | (32,255) | 86,741 |
| Cash used in operations | (98,849) | (30,661) |

15. 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.

15.1 Transactions with key management personnel

Other than the remuneration paid to the directors included in note 6, there were no other transactions with key management personnel.

15.2 Transactions with parent company

Transactions with parent company are included in note 5 whilst balances are shown separately in notes 8 and 9.

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

As at 28 February 2021, Mr Frank Xerri De Caro held 11,700 units in the €40 million bond

As at 28 February 2021, Mr Joseph J. Vella held 28,000 units in the €40 million bond.

As at 28 February 2021, Mr Joseph Fenech held 73,400 units in the €40 million bond.

16. 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 16.4. 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.

16.1 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 2021 | 29 February 2020 |
|--|-------|-----------------------------|---------------------|
| | | € | € |
| Financial assets at amortised cost - carrying amounts | | | |
| Loans owed by parent company | 8 | 39,910,000 | 39,910,000 |
| Receivables | 9 | 1,944,279 | 2,034,248 |
| Cash and cash equivalents | 10 | 73,169 | 113,266 |
| | | 41,927,448 | 42,057,514 |

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

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

16.2 Liquidity risk

Management manages the Company's liquidity needs by carefully monitoring cash flows 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.

16. Financial instruments risk - continued

16.2 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 |
| 28 February 2021 | € | € | € | € |
| Bonds in issue | - | - | - | 40,000,000 |
| Interest on bonds in issue | 1,700,000 | - | 6,800,000 | 1,700,000 |
| Payables | 161,431 | - | - | - |
| | 1,861,431 | - | 6,800,000 | 41,700,000 |

| | 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 |

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

16.3 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.

16. Financial instruments risk - continued

16.4 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 | 28 February 2021 € | 29 February 2020 € |
|---|-------|----------------------------------|--------------------------|
| Financial assets measured at amortised cost | | | |
| Non-current | | | |
| - Loans owed by parent company | 8 | 39,910,000 | 39,910,000 |
| Current | | | |
| - Receivables | 9 | 1,944,279 | 1,934,444 |
| - Cash and cash equivalents | 10 | 73,169 | 113,266 |
| | | 41,927,448 | 41,957,710 |
| Financial liabilities measured at amortised cost | | | |
| Non-current | | | |
| - Bonds in issue | 12 | 40,000,000 | 40,000,000 |
| Current | | | |
| - Payables | 13 | 1,667,820 | 1,704,797 |
| | | 41,667,820 | 41,704,797 |

17. Capital management policies and procedures

The board's objective is to raise funds through the issue of bonds to the general public, as may be required by the parent company from time to time.

The Company is not subject to externally imposed capital requirements.

18. Events after the end of the reporting period

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation for issue of these financial statements.