

TIMAN INVESTMENTS HOLDINGS LIMITED

**Annual Report
and
Consolidated Financial Statements**

31 December 2017

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

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TIMAN INVESTMENTS HOLDINGS LIMITED
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GENERAL INFORMATION

Registration

Timan Investments Holdings B.V. which was a company registered in the Netherlands with registration number 34117520 on 10 June 1999, was registered as continuing in Malta as a Limited Liability Company under the Companies Act (Cap. 386) as from 31 December 2013, under the name Timan Investments Holdings Limited with the registration number C 63335.

Directors

Sven von der Heyden
Javier Errejon Sainz de la Maza
Francis J. Vassallo
FJV Management Limited (resigned 13 March 2017)

Company Secretary

Adriana Camilleri Vassallo

Registered Office

46, Palazzo Spinola
St. Christopher Street
Valletta VLT 1464
Malta

Bankers

Commerzbank
Promenadeplatz 7
80333 Munchen
Germany

Lombard Bank Malta p.l.c.
67, Republic Street
Valletta VLT 1117
Malta

Alior Bank SpolkaAkcyjna
Warsaw at ul.
Lopuszanska 38D
Poland

Banco de Sabadell, Oficina núm.0251
Av.Vives Llull,4 Cant. Santa Maria,20
Mahón
Spain

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

TIMAN INVESTMENTS HOLDINGS LIMITED

Consolidated Financial Statements for the year ended 31 December 2017

DIRECTORS' REPORT

The directors submit their annual report and the consolidated financial statements for the year ended 31 December 2017.

Principal activity

The Company holds for capital growth and income generation, investments in subsidiaries and associated companies. It also provides financing to group and related companies.

The Group is involved in real estate development, real estate leasing, hospitality, hotel management and travel business in Poland, Germany, Spain and Malta.

Results and dividends

The consolidated statement of comprehensive income is set out on page 5. The directors do not recommend payment of a dividend.

Review of the business

During 2017, through its wholly owned subsidiary Von der Heyden Group Finance plc, the Group issued to the general public 25,000 bonds with a face value of €25,000,000 by virtue of prospectus dated 30 January 2017 approved by the Listing Authority on the same date. The unsecured bonds, that are listed and traded on the Official List of the Malta Stock Exchange, are redeemable on 8 March 2024 and have a coupon rate of 4.4%. The bonds were issued to support the Group to finance its future projects whilst at the same enabling the Group to seize new opportunities that may arise in the market.

In line with the above-mentioned prospectus and the Group's strategy, during the year under review the Group proceeded with its expansion plans in its hotel chain, IBB Hotel Collection. Three new hotels opened for business – two IBB hotels opened in Paderborn and Ingelheim Germany, whilst a third hotel, the Cugo Gran Macina Grand Harbour in Senglea, Malta opened close to the year end.

During the year under review, the Company realised a profit after tax of €1,995,190 (2016: €697,875). The loss on the Group's activities for the year after tax amounted to €3,137,730 (2016: €1,431). Through its new operations the Group registered an increase in turnover of just over €2 million. At the same time the Group experienced an increase in staff costs and operating expenses, particularly start-up costs relating to the new hotels that opened during the course of 2017.

The Group net interest expense increased significantly in the year under review (from circa €345,000 in 2016 to circa €696,000 in 2017). This is mainly attributable to interest on the public bonds issued during the year. Furthermore, the Group suffered a net foreign exchange loss of around €646,000 in 2017. There were no such losses in 2016.

Financial risk management

The Company's and the Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Refer to note 27 in these financial statements.

Future developments

The directors intend to continue to operate in line with their current business plan. The Group will continue to focus on the current real estate development projects underway while working to increase IBB Hotel Collection Group's portfolio of hotels in Germany, Spain, Poland, Malta and Austria as from the coming year.

DIRECTORS' REPORT - continued

Events After the Reporting Period

There have been no events after the reporting period that materially affected the financial position of the Company and the Group.

Directors

During the year ended 31 December 2017, the directors were as listed on page 2.

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

Statement of directors' responsibilities

The Companies Act (Cap. 386) requires the directors to prepare consolidated financial statements for each financial period which give a true and fair view of the financial position of the Company and the Group as at the end of the financial period and of the profit or loss for that period.

In preparing the consolidated financial statements, the directors are required to: -

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the consolidated financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provisions of the same Act.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the consolidated financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of consolidated 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

RSM Malta have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Directors' Report was approved by:



Sven von der Heyden
Director



Javier Errejon Sainz de la Maza
Director

30 April 2018

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Consolidated Financial Statements for the year ended 31 December 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
Revenue	4	19,360,281	17,307,266	-	-
Other operating income		262,477	115,384	112,212	53,726
		19,622,758	17,422,650	112,212	53,726
Staff costs	9	(7,192,561)	(5,473,181)	(149,621)	(144,048)
Depreciation and amortisation		(905,158)	(503,476)	(17,366)	(16,140)
Operating expenses		(12,997,492)	(11,033,799)	(493,563)	(365,864)
Operating (loss)/profit		(1,472,453)	412,194	(578,910)	(472,326)
Investment (loss)/income	5	(45,200)	(23,207)	2,105,887	819,195
Interest income and other related income	6	1,194,635	975,431	973,362	794,608
Interest expense and other related expenses	7	(2,537,049)	(1,321,070)	(431,823)	(390,390)
Share of (loss)/profit from associate		(14,981)	9,995	-	-
(Loss)/profit before tax	8	(2,875,048)	53,343	2,068,516	751,087
Income tax expense	10	(262,682)	(54,774)	(73,326)	(53,212)
(Loss)/profit for the financial year		(3,137,730)	(1,431)	1,995,190	697,875
Other comprehensive income/(loss):					
Movement in fair value of available-for-sale investments	19	(32)	(3,738)	(32)	(3,738)
Movement in fair value of land and buildings		2,240,198	-	-	-
Movement in currency translation reserve		945,268	-	-	-
Other comprehensive income		45,200		45,200	
		3,230,634	(3,738)	45,168	(3,738)
Total comprehensive income/(loss) for the year		92,904	(5,169)	2,040,358	694,137
(Loss)/profit attributable to:					
Equity holders of the company		(2,839,297)	(243,393)	1,995,190	697,875
Non-controlling interest		(298,433)	241,962	-	-
		(3,137,730)	(1,431)	1,995,190	697,875
Total comprehensive income/(loss) attributable to:					
Equity holders of the company		(912,252)	(247,131)	2,040,358	694,137
Non-controlling interest		1,005,156	241,962	-	-
		92,904	(5,169)	2,040,358	694,137

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

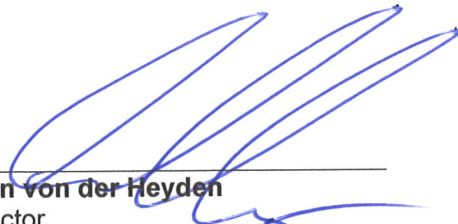
		Group		Company	
		2017	2016	2017	2016
	Notes	€	€	€	€
ASSETS					
Non-current assets					
Intangible assets	11	112,996	67,684	-	-
Property, plant and equipment	12	54,821,624	47,166,060	53,866	64,559
Loans and receivables	13	25,907,593	11,065,926	17,457,128	18,519,627
Investment in subsidiaries	14	-	14,151	19,299,148	17,813,368
Investment in associates	15	132,986	122,967	5,731,924	3,990,802
Other financial assets	16	272,095	157,270	-	-
Deferred tax asset		1,239,811	1,395,980	-	-
		82,487,104	59,990,038	42,542,066	40,388,356
Current assets					
Inventories	17	179,933	127,176	-	-
Trade and other receivables	18	2,795,582	1,936,969	2,585,090	3,014,303
Current tax receivable		69,598	13,884	-	-
Available-for-sale investments	19	134	166	134	166
Cash and cash equivalents	20	6,906,858	2,942,505	1,639,388	1,508,584
		9,952,105	5,022,600	4,224,612	4,523,053
TOTAL ASSETS		92,439,209	65,012,638	46,766,678	44,911,409

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued

		Group		Company	
		2017	2016	2017	2016
Notes		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	3,804,641	3,804,641	3,804,641	3,804,641
Share premium account		4,445,283	4,445,283	4,445,283	4,445,283
Other reserves	22	10,284,353	8,313,150	134	(45,034)
Currency translation reserve		1,471,734	1,148,654	-	(64,624)
(Accumulated losses)/retained earnings		(3,738,734)	(834,813)	26,975,858	25,045,292
		16,267,277	16,876,915	35,225,916	33,185,558
Non-controlling interest		15,594,774	14,888,051	-	-
Total equity		31,862,051	31,764,966	35,225,916	33,185,558
Non-current liabilities					
Borrowings	23	44,496,654	18,505,105	11,005,594	4,601,721
Deferred tax liabilities		3,937,685	3,564,957	-	-
Provisions for other liabilities and charges	24	29,150	13,051	-	-
		48,463,489	22,083,113	11,005,594	4,601,721
Current liabilities					
Trade and other payables	25	4,866,189	3,187,949	242,489	155,055
Current tax payable		172,554	243,013	125,076	108,089
Short-term borrowings	23	7,074,926	7,733,597	167,603	6,860,986
		12,113,669	11,164,559	535,168	7,124,130
Total liabilities		60,577,158	33,247,672	11,540,762	11,725,851
TOTAL EQUITY AND LIABILITIES		92,439,209	65,012,638	46,766,678	44,911,409

The financial statements on pages 5 to 42 have been authorised for issue by the directors on 30 April 2018.


Sven von der Heyden
 Director


Javier Errejon-Sainz de la Maza
 Director

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Consolidated Financial Statements for the year ended 31 December 2017

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

THE GROUP

Financial year ended 31 December 2016

	Share capital €	Share premium €	Other reserves €	Accumulated losses €	Currency translation reserve €	Non- controlling interest €	Total €
Balance at 1 January 2016	3,804,641	4,445,283	10,375,673	(586,874)	1,115,055	12,586,321	31,740,099
Equity of entities not consolidated in previous year	-	-	178,774	(603,314)	-	-	(424,540)
Currency translation differences	-	-	-	-	(460,332)	-	(460,332)
Movements in fair value of land and building	-	-	(2,313,944)	-	-	2,497,578	183,634
Change in shareholding	-	-	-	(1,641,611)	-	1,641,611	-
Transfer between reserves	-	-	(1,670,929)	1,509,105	493,931	(332,107)	-
Other movements	-	-	-	731,274	-	-	731,274
Loss for the financial year	-	-	-	(243,393)	-	241,962	(1,431)
Other comprehensive loss	-	-	(3,738)	-	-	-	(3,738)
Total comprehensive loss for the year	-	-	(3,738)	(243,393)	-	241,962	(5,169)
Balance at 31 December 2016	3,804,641	4,445,283	8,313,150	(834,813)	1,148,654	14,888,051	31,764,966

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued							
THE GROUP	Share capital €	Share premium €	Other reserves €	Accumulated losses €	Currency translation reserve €	Non-controlling interest €	Total €
Financial year ended 31 December 2017							
Balance at 1 January 2017	3,804,641	4,445,283	8,313,150	(834,813)	1,148,654	14,888,051	31,764,966
Movement in other reserves	-	-	4,181	-	-	-	4,181
Transfer between reserves	-	-	-	(64,624)	64,624	-	-
Loss for the financial year	-	-	-	(2,839,297)	-	(298,433)	(3,137,730)
Other comprehensive income	-	-	1,967,022	-	258,456	1,005,156	3,230,634
Total comprehensive income for the year	-	-	1,967,022	(2,839,297)	258,456	706,723	92,904
Balance at 31 December 2017	3,804,641	4,445,283	10,284,353	(3,738,734)	1,471,734	15,594,774	31,862,051

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY - continued

THE COMPANY	Share capital €	Share premium €	Other reserves €	Retained earnings €	Currency translation reserve €	Total €
Financial year ended 31 December 2016						
Balance at 1 January 2016	3,804,641	4,445,283	(41,296)	24,347,417	75,221	32,631,266
Profit for the financial year	-	-	-	697,875	-	697,875
Other comprehensive loss	-	-	(3,738)	-	(139,845)	(143,583)
Total comprehensive income for the year	-	-	(3,738)	697,875	(139,845)	554,292
Balance at 31 December 2016	3,804,641	4,445,283	(45,034)	25,045,292	(64,624)	33,185,558
Financial year ended 31 December 2017						
Balance at 1 January 2017	3,804,641	4,445,283	(45,034)	25,045,292	(64,624)	33,185,558
Transfer between reserves	-	-	-	(64,624)	64,624	-
Profit for the financial year	-	-	-	1,995,190	-	1,995,190
Other comprehensive income	-	-	45,168	-	-	45,168
Total comprehensive income for the year	-	-	45,168	1,995,190	-	2,040,358
Balance at 31 December 2017	3,804,641	4,445,283	134	27,047,726	-	35,225,916

TIMAN INVESTMENTS HOLDINGS LIMITED
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash flows from operating activities				
(Loss)/profit before tax	(2,875,048)	53,343	2,068,516	2,584,551
Adjustments for:				
Opening balances of entities not consolidated in previous year	-	(576,637)	-	-
Elimination of opening balances of entities not consolidated in previous year	-	1,197,263	-	-
Depreciation and amortisation	1,007,054	355,940	17,366	-
Movements in fair value of fair value through profit or loss investments	-	(731,099)	(2,373,349)	(3,108,084)
Investment income / (loss)	45,200	-	45,200	(221)
(Gain)/loss on disposal of property, plant and equipment	129,516	(107,852)	-	-
Interest income and other related income	(1,618,504)	(975,431)	(973,362)	(695,103)
Interest expense and other related expenses	2,248,265	1,321,070	2,248,265	448,869
Share in profit of associate	14,981	(9,995)	-	-
Operating (loss)/profit before working capital changes	(1,048,536)	526,602	1,032,636	(769,988)
Movement in inventories	(52,757)	(26,732)	-	-
Movement in trade and other receivables	(873,954)	5,658,120	(1,667)	68,243
Movement in trade and other payables	1,765,082	(72,954)	(119,030)	(301,442)
Movement in provisions	16,099	(186,269)	-	-
Interest received classified as operating	-	59,626	-	-
Interest paid classified as operating	-	(535,346)	-	-
Taxes refunded/(paid)	140,042	(331,071)	(56,339)	(93,012)
Net cash flows (used in)/generated from operating activities	(54,024)	5,091,976	855,600	(1,096,199)

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CONSOLIDATED STATEMENT OF CASH FLOWS – continued

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash flows from investing activities				
Payments to acquire fair value through profit or loss investments	-	-	(315,856)	(4,583,278)
Proceeds from sale of fair value through profit or loss investments	-	-	-	325,000
Payments to acquire an associate	(25,000)	-	-	-
Payments to acquire available for sale investments	-	(1,900)	-	-
Proceeds from sale of available-for-sale investments	1,900	-	-	-
Payments to acquire other financial assets	(115,856)	(59,304)	-	-
Proceeds from sale of other financial assets	1,031	9,131	-	-
Payments to acquire intangible assets	(88,591)	(27,463)	-	-
Proceeds from disposal of intangible assets	-	3,918	-	-
Payments to acquire property, plant and equipment	(5,538,975)	(2,186,887)	(6,673)	(80,699)
Proceeds from disposal of property, plant and equipment	11,469	246,004	-	-
Net movement in loans to parent company	(10,097,194)	-	(3,897,194)	2,181,761
Net movement in loans to group companies	-	-	6,384,995	1,195,177
Net movement in loans to other related companies	(1,794,854)	-	(1,858,017)	(5,292)
Net movement in amounts due from ultimate beneficial owner	15,546	-	-	-
Net movement in directors' account	(20,000)	-	(20,000)	68,000
Net movement in loans to third parties	(2,740,248)	-	(67,530)	9,647
Interest received	1,428,928	915,805	1,924,487	794,608
Dividends received	-	-	-	10,535
Net cash (used in)/generated from investing activities	(18,961,844)	(1,100,696)	2,144,212	(84,541)

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Consolidated Financial Statements for the year ended 31 December 2017

CONSOLIDATED STATEMENT OF CASH FLOWS – continued

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash flows from financing activities				
Net movement in loans from parent company	2,840,000	(2,847,575)	2,750,000	-
Net movement in loans from group companies	-	56,685	1,826,370	90,926
Net movement in loans from other related companies	(3,950,907)	(374,597)	848,840	(5,436,433)
Net movement in loans from ultimate beneficial owner	(521,934)	2,791,010	(35,213)	-
Net movement in bank borrowings	3,146,435	(469,510)	-	-
Net movement in loans from third parties	(132,185)	2,425,609	(6,065,760)	6,063,149
Interest paid	(2,401,267)	(785,724)	(2,193,245)	(390,390)
Other borrowings	(756,654)	(5,265,176)	-	-
Issuance of bonds	24,774,113	-	-	-
Net cash generated from/(used in) financing activities	22,997,771	(4,469,278)	(2,869,008)	327,252
Effect of changes in foreign exchange	(17,550)	249,647	-	-
Net movement in cash and cash equivalents in the year	3,964,353	(228,351)	130,804	(169,723)
Cash and cash equivalents at beginning of year	2,942,505	3,170,856	1,508,584	1,678,307
Cash and cash equivalents at end of year (Note 20)	6,906,858	2,942,505	1,639,388	1,508,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following standards and amendments have been adopted by the Company and the Group for the first time for the financial year beginning of 1 January 2017:

- Amendments to IAS 7: Disclosures initiative
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Annual improvements to IFRSs 2014 to 2016 cycle

The adoption of these amendments did not have a material impact on the financial statements of the Company and the Group for the current or any prior period and is not likely to affect future periods.

2. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in a company's own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group expects IFRS 9 to have an immaterial impact on the accounting for available-for-sale financial assets and derivatives.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group expects IFRS 15 to have an immaterial impact on the provision of services and management income that fall under the scope of IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

2. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED - continued

IFRS 16, 'Leases' was issued in January 2016. For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and the Company.

3. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Accounting convention and basis of preparation

These consolidated financial statements are prepared in accordance with IFRS as adopted by the EU and comply with the Companies Act (Cap. 386) enacted in Malta. These consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments carried at fair value.

These consolidated financial statements are presented in Euro (€) which is the Company's functional and the Group's presentation currency.

The preparation of these consolidated financial statements in conformity with IFRS as adopted by the EU, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the Company's and the Group's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgments are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related 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 are outlined below.

Fair value of land and buildings

The Company and the Group use the services of professional valuers to revalue the land and buildings. The professional valuers take into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

3. ACCOUNTING POLICIES – continued

Critical accounting estimates and assumptions – continued

Fair value of land and buildings - continued

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- A use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (eg the location or size of a property).
- A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (eg the zoning regulations applicable to a property).
- A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Fair value of investment in subsidiaries and associates

As described in Note 27, the Company and the Group use valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of investment in subsidiaries and associates. Note 27 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the investment in subsidiaries and associates in accordance with IFRS as adopted by EU.

Impairment of amounts owed by subsidiaries, associate undertakings and other related parties

In assessing the recoverability of the amounts owed by subsidiaries, associates and other related parties, the directors took the following matters into consideration:

- the architects' valuations of the properties held by the companies;
- the expected outcome from the development of plots owned by the companies, that are of significant size and in prime locations, and for which the permits are expected to be issued;
- the expected future outcome of the companies' which are currently in the initial period of operations;
- the ongoing restructuring of certain companies' operations which should lead to an improvement in the operating results; and
- the effect of the current investments being made in various companies that should result in increased revenues and results.

As a result of the above assessment, the directors consider that the amounts owed by subsidiaries, associates and other related parties as at 31 December 2017 are not impaired and are fully recoverable.

The accounting policies set out on the next pages have been applied consistently to all periods presented in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Basis of consolidation

Subsidiaries, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated.

These consolidated financial statements comprise the Company and its subsidiaries namely:

Company	Statutory seat	Country	Holding
Von der Heyden Development Sp. Z o.o.	Warsaw	Poland	100.00%
Lublin Grand Hotel Management Sp. Z o.o.	Lublin	Poland	74.77%
Lublin Grand Hotel Sp. Z o.o.	Lublin	Poland	75.00%
IBB Hotel Erfurt GmbH & Co KG	Berlin	Germany	89.96%
Andersia Tower Hotel Management Sp. Z o.o.	Poznan	Poland	73.62%
Von der Heyden & Partners Sp. Z o.o.	Warsaw	Poland	99.88%
SPV WW1 Sp. Z o.o.	Warsaw	Poland	99.88%
First Polish Real Estate B.V.	Amsterdam	Netherlands	55.00%
Dlugi Targ Sp. Z o.o.	Lublin	Poland	50.00%
Dlugi Targ Hotel Management Sp. Z o.o.	Lublin	Poland	50.00%
Andersia Property Sp. Z o.o.	Poznan	Poland	42.50%
Andersia Retail Sp. Z o.o.	Poznan	Poland	42.50%
IBB Hotel Collection Holding S.L.	Mahón	Spain	99.56%
IBB Management 2007 S.L.	Mallorca	Spain	99.56%
Hotel Sol del Este S.L.	Menorca	Spain	99.56%
IBB España 2004 S.L.	Mahón	Spain	99.56%
Kalagastur S.L.	Mahón	Spain	99.56%
Donaupassage Hotel Betriebs GmbH	Passau	Germany	99.56%
IBB Blue Hotel Betriebs GmbH	Passau	Germany	99.56%
IBB Hotels Deutschland Betriebs GmbH	Passau	Germany	99.56%
IBB Hotel Management Europe Ltd	Valletta	Malta	100.00%
IBB Polska Sp. Z o.o.	Lublin	Poland	100.00%
Timan Investments España S.L.	Mahón	Spain	100.00%
Von Der Heyden Group Finance p.l.c.	Valletta	Malta	100.00%

Non-consolidated participations

Viajes Menorca S.L.	Mahón	Spain	77.86%
IBB Hotel Erfurt Verwaltungs GmbH	Berlin	Germany	100.00%
Urbelia Business S.L.	Madrid	Spain	69.00%

The effect on the equity of the consolidated financial statements had the above participations been consolidated would have been €275,495.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Non-controlling interest in equity and earnings are shown separately. Transactions between consolidated companies are eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Foreign currencies

In the statement of financial position, monetary balances in foreign currencies are translated into Euro at year-end exchange rates. Foreign exchange differences are included in the statement of comprehensive income. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on transaction dates.

Upon consolidation, the assets and liabilities of subsidiaries with a functional currency, other than the Euro are translated into Euro using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the respective period. Exchange rates differences are included in the Group equity.

Exchange differences arising on translation of the Company's net investment in subsidiaries at the rate of exchange ruling at the end of the reporting period are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the statement of comprehensive income as a component of the gain or loss on disposal.

The principal exchange rates against the Euro used in preparing the consolidated statement of financial position and the consolidated statement of comprehensive income are:

	Statement of financial position		Statement of comprehensive income	
	2017	2016	2017	2016
PLN	4.1770	4.4103	4.2570	4.3632

Intangible assets

Computer software and other intangibles

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the Group and the cost of the asset can be measured reliably. Intangible assets are initially measured at cost. The cost of intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line method so as to write off the cost of an asset, less its estimated residual value, over its useful economic life.

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price and any directly attributable cost of preparing the asset for its intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

Depreciation is provided on all items of property, plant and equipment, except freehold land and assets under construction, at the rates calculated to write-off the cost less residual value over their expected useful life. The percentage rates within the various entities within the Group are as follows:

Buildings	- 1 - 2%
Equipment and machinery	- 7% - 12.5%
Other assets	- 10% - 25%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

Revaluation of land and buildings

Land and buildings are carried at their revalued amount.

Land and buildings are revalued by a professionally qualified architect/surveyor on the basis of market values. Any surpluses arising on such revaluation are credited to a revaluation reserve whilst deficiencies resulting from decreases in value and/or impairment are deducted from this reserve to the extent that it is sufficient to absorb these, and charged through the statement of comprehensive income thereafter.

Investment in subsidiaries

Subsidiaries are all entities over which the investor has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Investment in subsidiaries are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequent to initial recognition, the investments are measured at fair value in accordance with IAS 39. Gains and losses in changes in fair value are taken to profit or loss.

Investment in associates

An associated undertaking is an entity over which the Company and the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are initially recognised at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Investment in associates - continued

The Group

The Group subsequently recognises for the investment in associates using the equity method.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the year ended 31 December 2017. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. The use of the equity method should cease from the date that significant influence ceases.

The Company

The Company subsequently recognised the investment in associate using the fair value method in accordance with IAS 39. Gains and losses in changes in fair value are taken to profit or loss.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

Trade and other receivables

Trade and other receivables, including amounts owed by related undertakings, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The amount of any provision is recognised in the profit or loss.

Trade and other payables

Trade and other payables, including amounts owed to related undertakings, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company or to the Group.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate. Any difference between the proceeds and the redemption value is recognised in the statement of other comprehensive income over the period of the borrowings using the effective interest method.

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

Provisions

Provisions are recognised when the Company and the Group has a present obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the financial reporting date, and are discounted to present value when the effect is material. Provisions are reviewed each financial reporting date and adjusted to reflect the current best estimate.

Tax

Income tax on the profit or loss for the year comprises current tax and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of reporting period, and any adjustments to tax payable in respect of previous years.

Deferred income tax is determined under the statement of financial position method, providing for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted by the end of reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Revenue recognition

Generally, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company or to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Interest income

Revenue is recognised as the interest accrues, unless collectability is in doubt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. ACCOUNTING POLICIES - continued

Cash and cash equivalents

Cash in hand and at banks are carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, and bank credit facilities.

Impairment of assets

The carrying amounts of the Company and the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable value is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognised.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

4. REVENUE

GROUP

Revenue consists of income from real estate leasing and from hospitality and hotel management.

Revenue by geographical region:

	2017 €	2016 €
Poland	8,777,303	9,096,186
Spain	2,515,866	2,687,145
Germany	8,059,380	5,523,336
Malta	7,732	599
	<u>19,360,281</u>	<u>17,307,266</u>

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. REVENUE - continued

Category of activity:

	2017 €	2016 €
Accommodation	15,257,079	14,030,459
Catering	2,294,377	1,316,161
Lease	329,672	415,785
Administration & consulting	385,700	15,453
Development	123,738	204,889
Other	969,715	1,324,519
	19,360,281	17,307,266

5. INVESTMENT (LOSS)/INCOME

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Loss on disposal of investments	(45,200)	(5,340)	(45,200)	-
Dividends received	-	-	-	10,535
Unrealised (loss)/gain on movement in fair value of fair value through profit or loss investments	-	(17,867)	2,151,087	808,660
	(45,200)	(23,207)	2,105,887	819,195

6. INTEREST INCOME AND OTHER RELATED INCOME

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Interest on bank balances	108,377	54,779	18,156	-
Interest on loans to parent company	377,311	-	162,552	-
Interest on loans to group companies	-	-	183,022	-
Interest on loans to other related parties	393,692	381,431	262,148	743,586
Interest on loans to ultimate beneficial owner	142,265	109,314	122,945	-
Interest on loans to third parties	64,842	99,157	2,257	13,521
Foreign exchange differences	106,119	325,903	222,282	-
Other interest income	2,029	4,847	-	37,501
	1,194,635	975,431	973,362	794,608

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. INTEREST EXPENSE AND OTHER RELATED EXPENSES

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Interest on bank loans and bank charges	436,143	519,358	1,031	-
Interest expense on loans from parent company	90,170	-	90,170	-
Interest on loans from group companies	-	-	117,852	-
Interest expense on loans from other related parties	53,586	2,872	50,569	-
Interest on loans from third parties	186,011	456,506	137,936	389,815
Interest expense on loans from ultimate beneficial owner	74,449	-	2,361	-
Interest expense on loans from director	300	-	300	-
Interest expense on bonds	910,556	-	-	-
Foreign exchange differences	751,882	326,346	16	-
Other interest expense	33,952	15,988	31,588	575
	<u>2,537,049</u>	<u>1,321,070</u>	<u>431,823</u>	<u>390,390</u>

8. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax is stated after charging:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Personnel costs (Note 9)	6,101,008	4,937,208	119,704	32,229
Directors' fees and remuneration (Note 9)	1,091,553	535,973	60,487	111,819
Depreciation and amortisation	905,158	503,476	17,366	16,140
Auditors' remuneration	96,487	75,485	30,000	30,975
(Gain)/loss on foreign exchange	(35,761)	(20,283)	(222,266)	4
And after crediting:				
Profit/(loss) on disposal of property, plant and equipment	<u>(129,516)</u>	<u>107,852</u>	<u>-</u>	<u>-</u>

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

9. STAFF COSTS

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Personnel costs				
Wages and salaries	5,107,383	3,971,991	82,041	29,397
Social security costs	1,083,625	961,406	7,093	2,832
Pension costs	-	3,811	-	-
Salaries recharged by related party	-	-	30,570	-
	6,101,008	4,937,208	119,704	32,229
Directors' fees and remuneration	1,091,553	535,973	60,487	111,819

The Group had an average of 301 (2016: 259) employees and the Company had an average of 7 (2016: 5) during the year under review.

10. INCOME TAX EXPENSE

Income tax expense for the year is analysed as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current year taxation				
Income tax on the taxable income for the year	166,347	147,471	73,326	53,212
Deferred taxation				
Transfer to deferred taxation account	96,335	(92,697)	-	-
	262,682	54,774	73,326	53,212

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. INCOME TAX EXPENSE - continued

The tax on the Group and the Company's profit/(loss) differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
(Loss)/profit before tax	(2,875,048)	53,343	2,068,516	751,087
Theoretical tax (credit)/charge using the parent's domestic tax rate of 35%	(1,006,267)	18,670	723,981	262,880
Tax effect of:				
- Non-taxable revenues	(421,008)	(362,194)	(752,978)	(286,718)
- Non-deductible expenses	508,600	513,574	218,473	184,091
- Unabsorbed tax losses not recognised	850,926	390,012	-	-
- Unabsorbed tax losses brought forward	(203,459)	(237,220)	-	-
- Other differences	-	-	-	-
- Different tax rates of subsidiaries operating in other jurisdictions	(10,596)	(68,226)	-	-
- Flat Rate Foreign Tax credit	(116,150)	(107,041)	(116,150)	(107,041)
- Movements in deferred tax asset	19,006	(184,697)	-	-
- Movements in deferred tax liabilities	116,266	91,896	-	-
Tax expense	262,682	54,774	73,326	53,212

The tax regulations in Poland are subject to frequent changes and as a result there is often no reference to fixed regulations. The regulations in force also contain many ambiguities which may result in different interpretations. The tax payables may be subject to an audit by the tax authorities which have the power to impose heavy fines and the additional amounts calculated as a result of the audit must be paid together with high interest. These conditions make Poland a country with high risk in comparison to other countries with more developed taxation systems. Taxes payable are subject to audits periods of five years. As a result, the tax amounts stated in the financial statements of the Polish subsidiaries may be subject to change after their final calculation by the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. INTANGIBLE FIXED ASSETS

GROUP

	Computer software and other intangibles €
Cost	
At 1 January 2017	274,513
Additions	88,591
Disposals	(33,468)
Effect of foreign exchange	8,884
At 31 December 2017	<u>338,520</u>
Amortisation	
At 1 January 2017	(206,829)
Charge for the year	(44,632)
Release on disposal	33,465
Effect of foreign exchange	(7,528)
At 31 December 2017	<u>(225,524)</u>
Net book values	
At 31 December 2017	<u>112,996</u>
At 31 December 2016	<u>67,684</u>

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings €	Machinery and equipment €	Other assets €	Assets under construction €	Total €
Cost/revaluation					
At 1 January 2017	40,112,265	980,870	4,013,614	6,766,211	51,872,960
Additions	281,408	145,075	280,002	4,832,490	5,538,975
Disposals	(134,722)	(64,918)	(714,777)	-	(914,417)
Revaluation	2,531,212	-	-	-	2,531,212
Reclassification	(176,664)	205,251	(28,587)	-	-
Effect of foreign exchange	288,933	32,995	130,661	377,916	830,505
At 31 December 2017	42,902,432	1,299,273	3,680,913	11,976,617	59,859,234
Depreciation					
At 1 January 2017	(1,296,547)	(661,202)	(2,749,151)	-	(4,706,900)
Depreciation charge for the year	(471,661)	(100,758)	(390,003)	-	(962,422)
Depreciation released on disposal	-	61,199	712,233	-	773,432
Reclassification	15,825	(51,151)	35,326	-	-
Effect of foreign exchange	(11,745)	(29,331)	(100,645)	-	(141,721)
At 31 December 2017	(1,764,128)	(781,243)	(2,492,240)	-	5,037,611
Net book values					
At 31 December 2017	41,138,304	518,030	1,188,673	11,976,617	54,821,624
At 31 December 2016	38,815,718	319,668	1,264,463	6,766,211	47,166,060

The Group's land and buildings were revalued by independent professional qualified valuers. The surplus on revaluation was transferred to the revaluation reserve.

During the year, another revaluation was carried out by independent professional qualified valuers which resulted to a revaluation increase of €2,531,212, gross of tax.

The carrying amount of the assets had they not been revalued would have amounted to €22,257,210 (2016: €22,465,835).

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. PROPERTY, PLANT AND EQUIPMENT- continued

COMPANY	Motor vehicle €	Computer equipment €	Other assets €	Total €
Cost				
At 1 January 2017	80,699	-	-	80,699
Additions	-	3,723	2,950	6,673
At 31 December 2017	80,699	3,723	2,950	87,372
Accumulated depreciation				
At 1 January 2017	(16,140)	-	-	(16,140)
Depreciation charge	(16,140)	(931)	(295)	(17,366)
At 31 December 2017	(32,280)	(931)	(295)	(33,506)
Net book values				
At 31 December 2017	48,419	2,792	2,655	53,866
At 31 December 2016	64,559	-	-	64,559

13. LOANS AND OTHER RECEIVABLES: NON-CURRENT

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Amounts owed by the ultimate beneficial owner (Note i)	584,402	488,130	-	-
Amounts owed by parent company (Note ii)	12,627,988	2,830,794	6,427,988	2,830,794
Amounts owed by group companies (Note ii)	-	-	3,891,748	10,478,217
Amounts owed by other related companies (Note iii)	9,519,392	7,724,538	7,019,392	5,161,375
Amounts owed by third parties (Note iv)	2,753,348	20,000	118,000	49,241
Prepayments	422,463	2,464	-	-
	25,907,593	11,065,926	17,457,128	18,519,627

- i. The amounts owed by the ultimate beneficial owner are unsecured, bear interest of 4.5% per annum and are not repayable within twelve months from the end of reporting period.
- ii. The amounts owed by parent and group companies are unsecured, subject to interest rates ranging between 4.4% and 7.5% per annum and are not repayable within twelve months from the end of reporting period.
- iii. The amounts owed by other related parties are unsecured, subject to interest rates ranging between 2.9590% and 5.5% per annum and are not repayable within twelve months from the end of reporting period.
- iv. The amounts owed by third parties are unsecured, bear interest at the rate of 5.5% per annum and are not repayable within twelve months from the end of reporting period.

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. INVESTMENT IN SUBSIDIARIES

COMPANY

	2017	2016
	€	€
At fair value		
At beginning of the year	17,813,368	13,497,931
Additions	315,856	4,381,911
Disposals	-	(325,000)
Fair value movement	1,392,189	398,371
Foreign exchange result	(222,265)	(139,845)
	19,299,148	17,813,368

Subsidiary undertakings	Registered or principal office	Shares held	
		Class	Proportion
Von der Heyden Development Sp. Z o.o.	Warsaw, Poland	Ordinary	100.00%
Lublin Grand Hotel Management Sp. Z o.o.	Lublin, Poland	Ordinary	74.77%
Lublin Grand Hotel Sp. Z o.o.	Lublin, Poland	Ordinary	75.00%
IBB Hotel Erfurt GmbH & Co. KG	Berlin, Germany	Ordinary	89.96%
Andersia Tower Hotel Management Sp. Z o.o.	Poznan, Poland	Ordinary	73.62%
Von der Heyden Group Finance p.l.c.	Valletta, Malta	Ordinary	100.00%
Von der Heyden & Partners Sp. Z.o.o.	Warsaw, Poland	Ordinary	99.88%
First Polish Real Estate B.V.	Amsterdam, The Netherlands	Ordinary	55.00%
IBB Hotel Collection Holding S.L.	Mahón, Spain	Ordinary	99.56%
Timan Investments España S.L.	Mahón, Spain	Ordinary	100.00%
Urbelia Business S.L.	Madrid, Spain	Ordinary	69.00%
IBB Hotel Erfurt Verwaltungs GmbH	Berlin, Germany	Ordinary	100.00%

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. INVESTMENT IN SUBSIDIARIES - continued

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

Subsidiary undertaking	Capital and reserves €	Profit/(loss) for the year €
Von der Heyden Development Sp. Z o.o. (unaudited)	539,730	(6,438)
Lublin Grand Hotel Management Sp. Z o.o. (audited)	(493,307)	(110,681)
Lublin Grand Hotel Sp. Z o.o. (audited)	3,287,525	590,593
IBB Hotel Erfurt GmbH & Co. KG (unaudited)	280,869	(189)
Andersia Tower Hotel Management Sp. Z o.o. (audited)	425,885	(33,401)
Von der Heyden Group Finance p.l.c. (audited)	(14,706)	(235,294)
Von der Heyden & Partners Sp. Z o.o. (unaudited)	(1,185,667)	(10,336)
First Polish Real Estate B.V. (unaudited)	6,995,636	(813,889)
IBB Hotel Collection Holding S.L. (audited)	(343,562)	111,867
Timan Investments España S.L. (audited)	(1,027,939)	(761,824)
Urbelia Business S.L. (unaudited)	100,000	-
IBB Hotel Erfurt Verwaltungs GmbH (unaudited)	51,989	2,121.30

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
At equity method/fair value				
At beginning of the year	122,967	112,972	3,990,802	3,379,147
Additions	25,000	-	-	-
Share in (loss)/profit for the year	(14,981)	9,995	-	-
Fair value movement	-	-	1,741,122	611,655
	132,986	122,967	5,731,924	3,990,802

Associate undertakings	Registered or principal office	Class	Proportion
Nowy Swiat 5 Sp. Z o.o.	Warsaw, Poland	Ordinary	50.00%
Plaza Explanada S.L.	Mahón, Spain	Ordinary	50.00%
Kasa Investment GmbH	Grunwald, Germany	Ordinary	49.58%
Bogenhausener Tor Immobilien GmbH	Munich, Germany	Ordinary	38.50%
IBB Hammetts Operations Limited	Valletta, Malta	Ordinary	50.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

15. INVESTMENT IN ASSOCIATES – continued

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

Associate undertakings	Capital and reserves	Profit/(loss) for the year
	€	€
Nowy Swiat 5 Sp. Z o.o. (unaudited)	(989,352)	(707,226)
Plaza Explanada S.L. (unaudited)	265,971	20,038
Kasa Investment GmbH (unaudited)	(691,666)	(193,502)
Bogenhausener Tor Immobilien GmbH	(4,370,357)	(765,898)
IBB Hammetts Operations Limited (unaudited)	(67,520)	(117,520)

16. OTHER FINANCIAL ASSETS

GROUP

	2017	2016
	€	€
At cost		
At beginning of the year	157,270	106,604
Balance of non-consolidated entities in previous year		493
Additions	115,856	59,304
Disposal	(1,031)	(9,131)
	272,095	157,270

Other financial assets are non-marketable securities not traded in active markets and recognised at cost.

17. INVENTORIES

GROUP

	2017	2016
	€	€
Materials	125,989	119,157
Work in progress	7,411	8,019
Finished goods	46,533	-
	179,933	127,176

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Trade receivables from third parties (Note i)	700,386	572,403	4,818	4,818
Trade receivables from other related companies	82,148	61,383	-	-
Amounts owed by a director (Note ii)	20,000	-	20,000	-
Amounts owed by ultimate beneficial owner (Note iii)	44,372	156,190	-	-
Amounts owed by parent company (Note iv)	409,086	16,781	409,086	16,781
Amounts owed by group companies (Note iv)	-	-	1,525,709	2,440,435
Amounts owed by other related companies (Note iv)	598,320	526,851	598,320	526,851
Amounts owed by third parties (Note v)	11,434	3,233	5,490	5,418
Advance payments to suppliers/deposits	12,030	-	-	-
Other receivables	209,939	505,940	-	-
Prepayments	307,330	94,188	21,667	20,000
VAT receivable	376,036	-	-	-
Accrued interest	24,501	-	-	-
	2,795,582	1,936,969	2,585,090	3,014,303

- i. Trade receivables of the Group are stated after a provision for doubtful debts amounting to €48,696 (2016: nil).
- ii. The amounts owed by a director are unsecured, interest free and are repayable on demand.
- iii. The amounts owed by ultimate beneficial owner are unsecured and repayable on demand.
- iv. The amounts owed by parent, group and other related companies are unsecured and subject to interest rate ranging between 4.5% to 8%. Apart from the amounts of €54,000 which is due for repayment on the 30th of June 2018, the remaining amounts are repayable on demand.
- v. The amounts owed by third parties are unsecured and are repayable on demand.

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. AVAILABLE-FOR-SALE

	Group			Company
	Listed securities	Other investments	Total	Listed securities
	€	€	€	€
At fair value				
At 1 January 2016	3,904	-	3,904	3,904
Additions	-	1,900	1,900	-
Fair value movement	(3,738)	-	(3,738)	(3,738)
Total at 31 December 2016	166	1,900	2,066	166
At 1 January 2017	166	1,900	2,066	166
Fair value movement	(32)	-	(32)	(32)
Disposal	-	(1,900)	(1,900)	-
Total at 31 December 2017	134	-	134	134

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the consolidated statements of cash flows reconcile to the amounts shown in the consolidated statements of financial position as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank	6,816,358	2,872,376	1,639,388	1,508,584
Cash on hand	90,500	70,129	-	-
	6,906,858	2,942,505	1,639,388	1,508,584

21. SHARE CAPITAL

	2017	2016
	€	€
Authorised:		
20,000,000 Ordinary A shares of € 1 each	20,000,000	20,000,000
30,000,000 Ordinary B shares of € 1 each	30,000,000	30,000,000
	50,000,000	50,000,000
Issued and fully paid up:		
3,249,924 Ordinary A shares of € 1 each, 100% paid up	3,249,924	3,249,924
554,717 Ordinary B shares of € 1 each, 100% paid up	554,717	554,717
	3,804,641	3,804,641

The Ordinary A shares and Ordinary B shares rank paripassu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. OTHER RESERVES

The Company's and the Group's other reserves is mainly composed of fair value reserves and capital reserve.

Revaluation reserve

The Company and the Group's revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The Company's revaluation reserve also includes changes in fair value of available for sale investments.

Capital reserve

This relates to undistributable reserves of some of the Spanish subsidiary companies.

23. BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Non-current				
Bank borrowings (Note i)	10,341,148	12,933,612	-	-
Loans from parent company (Note ii)	2,750,000	-	2,750,000	-
Loans from group companies (Note ii)	-	-	1,775,010	25,000
Loans from other related companies (Note ii)	982,173	4,625,723	930,000	-
Loans from third parties (Note iii)	5,326,649	135,238	5,550,584	4,576,721
4.4% Bonds redeemable (Note vi)	24,774,113	-	-	-
Other borrowings	138,187	810,532	-	-
Amounts owed to ultimate beneficial owner (Note iv)	184,384	-	-	-
	44,496,654	18,505,105	11,005,594	4,601,721
Current				
Bank borrowings (Note i)	6,385,051	646,152	-	-
Loans from group companies (Note v)	-	-	156,843	78,925
Loans from other related companies	-	308,596	-	81,320
Loans from third parties	477,635	5,959,746	10,054	6,154,522
Amounts owed to ultimate beneficial owner	23,665	546,219	706	546,219
Other borrowings	188,575	272,884	-	-
	7,074,926	7,733,597	167,603	6,860,986

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. BORROWINGS - continued

Repayment terms of non-current borrowings:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Repayable between one and two	9,082,276	9,010,727	2,705,010	-
Repayable between two and five	2,188,872	3,209,451	-	-
Repayable in five years or more	33,225,506	6,284,927	8,300,584	4,601,721
	44,496,654	18,505,105	11,005,594	4,601,721

- i. The bank borrowings are pledged by special hypothecs on the properties and bear interest at rates ranging from 2.1% to 4.5% per annum. One of the loans is also secured by a pledge on the shares of the subsidiary undertaking.
- ii. The loans from parent company, group companies and other related companies are unsecured, bear interest at rates ranging from 4.4% to 7.5% per annum and are not repayable within twelve months from the end of reporting period.
- iii. The loans from third parties are unsecured, bear interest at rates ranging from 2.98% to 5.5% per annum and are not repayable within twelve months from the end of reporting period.
- iv. The amounts owed to ultimate beneficial owner are unsecured, bear interest at rates ranging from 5% to 7% per annum and are not repayable within twelve months from the end of reporting period.
- v. The loans from group companies are unsecured, bear interest of 7.5% per annum and are repayable not later than 31 December 2018.
- vi. During the year, a subsidiary company issued an aggregate principal amount of €25 million Bonds (2017 – 2024), having a nominal value of €1,000 each, bearing interest at the rate of 4.4% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 30 January 2017. The quoted market price as at 31 December 2017 for the 4.4% Bonds 2017 – 2024 was €995.

The company, Timan Investments Holdings Limited has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all payment obligations under taken by the subsidiary under the Bonds if it fails to do so.

The carrying amount of the bonds is net of issue costs which are being amortised over the life of the bonds.

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

GROUP

The provision for liabilities and charges is made up of the following:

	2017 €	2016 €
As at 1 January	13,051	199,320
Charged to the statement of comprehensive income	(13,051)	-
Additional provisions	29,150	8,688
Unused amounts reversed	-	(194,677)
Exchange differences	-	(280)
As at 31 December	<u>29,150</u>	<u>13,051</u>

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Trade payables to third parties	2,793,394	1,017,244	107	69,608
Trade payables to group companies	-	-	-	-
Trade payables to other related companies	843	54,777	-	-
Other taxes and social security costs	231,943	167,499	-	7,573
Advance payments received from customers	160,489	112,050	-	-
Other payables	157,241	1,381,040	-	-
Accruals	1,291,033	239,926	35,918	77,874
VAT payable	102,675	-	-	-
Amounts owed to third parties	5,673	-	-	-
Amounts owed to group companies (Note i)	-	-	116,294	-
Amounts owed to parent company (Note i)	90,170	-	90,170	-
Amounts owed to ultimate beneficial owner (Note i)	31,649	215,413	-	-
Amounts owed to other related companies (Note i)	1,079	-	-	-
	<u>4,866,189</u>	<u>3,187,949</u>	<u>242,489</u>	<u>155,055</u>

i. The amounts owed to parent company, group companies and other related companies and to ultimate beneficial owner are unsecured and repayable on demand.

TIMAN INVESTMENTS HOLDINGS LIMITED
Consolidated Financial Statements for the year ended 31 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Details of transactions between the company and its other related parties are disclosed below. Certain subsidiaries purchase and sell services to various related parties.

GROUP

During the year then ended, the Group entered into the following transactions with non-consolidated related parties.

	2017 €	2016 €
Transactions with parent company		
Interest income	377,311	-
Interest expense	90,170	-
Transactions with other related parties		
Interest income	393,692	381,431
Interest expense	53,586	2,872
Transactions with ultimate beneficial owner:		
Interest income	142,265	109,314
Interest expense	74,449	-

COMPANY

During the year then ended, the Company entered into the following transactions with related parties.

	2017 €	2016 €
Transactions with group companies:		
Operating expenses	70,680	52,000
Interest income	183,022	-
Interest expense	117,852	-
Transactions with ultimate beneficial owner:		
Interest income	122,945	-
Transactions with other related parties:		
Interest income	262,148	743,586
Interest expense	50,569	-

The outstanding amounts owed by/to related parties as at year-end are as disclosed in Notes 13, 18, 23 and 25 to these financial statements.

Key management compensation

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Key management remuneration	1,091,553	568,202	60,487	144,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL INSTRUMENTS

At the year end, the Company's and the Group's financial assets in the statements of financial position comprise investments in subsidiaries and associates, loans and receivables, trade and other receivables and cash and cash equivalents. At the year end, there were no off-balance sheet financial assets.

At the year end, the Company's and the Group's financial liabilities in the statements of financial position comprise borrowings and trade and other payables. At the year end, there were no off-balance sheet financial liabilities.

Exposure to credit and liquidity risks arise in the normal course of the Company's and the Group's operations.

Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statements of financial position is intended to indicate the timing in which cash flows will arise.

Capital risk management

The Company and the Group manage their capital to ensure that they will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's and the Group's strategies are expected to remain unchanged in the foreseeable future.

The capital structure of the Company and the Group consists of debt, which includes the borrowings as disclosed in Note 23, and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings as disclosed in Notes 21 and 22 to these financial statements and in the statement of changes in equity.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Company and the Group to concentrations of credit risk consist principally of trade and other receivables and cash at bank.

The credit risk relating to cash at bank is considered to be low in view of management's policy of placing it with quality financial institutions.

Carrying amounts for trade and other receivables, including amounts owed by parent company and other related companies, are stated net of the necessary general provisions which would have been prudently made against bad and doubtful debts, had management believed that recoverability was doubtful. Management believes that no risk is inherent in the Group's receivable balances.

The credit quality of the Group's financial assets are viewed by management as neither past due nor impaired considering the collectability of debts and the credit history of the counter parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL INSTRUMENTS - continued

Liquidity risk

Liquidity risk arises in the general funding of the Company's and the Group's activities and in the management of positions. It includes the risk that obligations cannot be met as and when they fall due. The Company and the Group raises funds mainly from operations. Liquidity risk is managed by maintaining significant levels of liquid funds and identifying and monitoring changes in funding required to meet business goals driven by management.

Foreign currency risk

The Group is exposed to foreign currency risk on payments of expenses that are denominated in a currency other than the Euro. The main currencies giving rise to this risk are the Polish Zloty and the Euro.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

Fair values

The Company and the Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in active markets for identical instrument;

Level 2: Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

At 31 December 2017 and 2016, all financial assets measured at fair value apart from the available-for-sale assets were based on level 3 inputs. The available-for-sale financial assets were based on level 1 inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's and the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's and the Group's consolidated statement of cash flows as cash flows from financing activities.

	Group €	Company €
As at 1 January 2017	26,238,702	11,462,707
Cash movement	24,360,913	(1,261,745)
Non-cash movement	972,235	972,235
As at 31 December 2017	51,571,850	11,173,197

29. LEASES

GROUP

At 31 December, the Group had financial commitments under non-cancellable operating leases for land and buildings as follows.

	2017 €	2016 €
Land and buildings		
Operating leases which expire:		
Within one year	2,421,039	1,480,684
Within two to five years	9,887,976	8,495,456
More than five years	21,724,988	21,270,561

30. CONTINGENT LIABILITY

COMPANY

The Company has provided a cash collateral of €1,500,000 on behalf of a subsidiary company.

During the year the Company has also provided a corporate guarantee of €25,000,000 in favour of the bondholders to affect the due and punctual performance of all payment obligations undertaken by a subsidiary who has issued the bonds, if the subsidiary fails to do so (refer to note 23).

Additionally, the Company has granted a corporate cost-overflow guarantee of €3,000,000 in favour of the financing bank of one of its subsidiaries. This said guarantee is counter guaranteed by the shareholders of the same subsidiary pro rata to their shareholding. This guarantee will be released on completion of the construction works expected during the course of 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued

31. COMPARATIVE FIGURES

Certain amounts from the previously reported consolidated financial statements have been reclassified to conform with the current year's financial presentation.

32. STATUTORY INFORMATION

Timan Investments Holdings Limited is a limited liability company registered in Malta.

The registered office of the company is 46, Palazzo Spinola, St. Christopher Street, Valletta VLT 1464, Malta. The company status is that of a private company. These consolidated financial statements were approved for issue by the Board of Directors on 30 April 2018.

Timan Investments Holdings Limited's ultimate parent company is Von der Heyden Group Holdings S.A.R.L, a company registered in Luxembourg, with its registered address at L-6138 Junglinster 32, rue Marthe Prim-Welter, Luxembourg. Von der Heyden Group Holdings S.A.R.L. owns 85.42% of the voting capital of the company. The other 14.58% is owned by Trusthigh Holdings Limited.

The ultimate controlling party of Von der Heyden Group Holdings S.A.R.L. is Sven von der Heyden.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Timan Investments Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the individual financial statements of Timan Investments Holdings Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 5 to 42, which comprise the statements of financial position of the Company and the Group as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Timan Investments Holdings Limited and its Group as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 3 to these financial statements which sets out the matters taken into consideration by the directors in determining the valuation of the assets of the Company and the Group and in determining whether any of the Company's and the Group's assets have been impaired.

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INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Property, Plant and Equipment

The valuation of the group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property and its location. The valuers used by the group have considerable experience in their respective jurisdiction where the group's property is situated.

Our audit procedures include

- We obtained, understood and evaluated the valuation models used.
- We confirmed the independence of the valuers.
- We agreed the property information utilised in the valuation to the underlying property records held by the group.

Valuation of Investments in Subsidiaries and Associates

The company accounts for its investments in subsidiaries and associates at fair value.

As disclosed in note 3, the company uses different methods to value its investments mainly the discounted projected cash flows approach in the case of operating companies and the asset-based approach in the case of companies holding properties.

The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual business valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

Our audit procedures include:

We obtained, understood and evaluated the valuation models used.

In the case of valuations based on discounted projected cash flows, we compared the budgets with current level of results and we challenged the company's assumptions. We were provided with explanations that suggest that there are no indications that the amounts recognized do not reflect the fair value of the business.

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INDEPENDENT AUDITORS' REPORT - continued

Valuation of Investments in Subsidiaries and Associates - continued

In the case of valuations based on the asset-based approach, we agree the equity of the subsidiaries and associates with their respective financial statements and then check the adjusted figures to reflect the fair market value, to property valuations carried out by valuers. We also assess whether any of the assets have been impaired.

Impairment Assessment of Amounts Owed by Subsidiaries, Associate Undertakings and Other Related Parties

Our audit procedures include reviewing the financial statements of the subsidiaries and associate undertakings to ensure that they are able to fulfill their obligations and evaluating the Group's assessment for impairment. We were provided with explanations that suggest that there are no indications that the amounts receivable are not recoverable.

Other Information

The directors are responsible for the other information. The other information comprises the General Information and the Directors' report. Our opinion on the financial statements does not cover this information, including the Directors' report, and we do not and will not express any form of assurance conclusion thereon.

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

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

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

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

RSM Malta

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INDEPENDENT AUDITORS' REPORT – continued

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the 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 and the Group'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 the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated 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 auditors' 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 judgment and maintain professional skepticism 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 and the Group's internal control.

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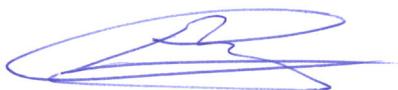
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INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements– continued

- 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 and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company or the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.



*Conrad Borg (Partner)
for and on behalf of*

RSM Malta
Certified Public Accountants

30 April 2018