



VON DER HEYDEN GROUP FINANCE plc

VON DER HEYDEN GROUP FINANCE P.L.C.

REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2017



VON DER HEYDEN GROUP FINANCE plc

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VON DER HEYDEN GROUP FINANCE plc

GENERAL INFORMATION

Registration

Von der Heyden Group Finance p.l.c. is registered in Malta as a public limited liability company under the Companies Act (Cap. 386). The company's registration number is C 77266.

Directors

Robert Hendrik Rottinghuis

Sven von der Heyden

Francis J. Vassallo

Robert Aquilina (appointed on 1 January 2017)

Kevin Deguara (appointed on 1 January 2017)

Company Secretary

Adrian-Paul Sciberras

Registered Office

Spinola Palace

46, St Christopher Street

Valletta VLT 1464

Malta

Bankers

Lombard Bank Malta p.l.c.

67, Republic Street

Valletta VLT 1117

Malta

HSH Nordbank AG

Gerhart-Hauptmann-Platz 50

20095 Hamburg

Germany

Auditors

RSM Malta

Mdina Road

Zebbug ZBG 9015

Malta



VON DER HEYDEN GROUP FINANCE plc

DIRECTORS' REPORT

The directors of the Company hereby present their report and the financial statements for the financial period ended on 31 December 2017.

Company Incorporation

The Company was incorporated on September 15th, 2016 as a public limited liability company, registered in terms of the Companies Act (Cap. 386) with company registration number C 77266. It is domiciled in Malta, having its registered office at Spinola Palace, 46, St. Christopher Street, Valletta VLT 1464, Malta. Its Company Secretary is Mr. Adrian Paul Sciberras.

The figures in the financial statements hence cover the period from the date of incorporation to 31 December 2017.

Principal Activity

The Company has been set up and established to act as a finance company through which the Von der Heyden Group, which principally specializes in the business of developing high quality office buildings and other property developments, as well as owning and managing hotel and residential properties in several European countries including Malta, will continue to finance its future projects.

Principal Risks and Uncertainties

The Company is mainly dependant on the business prospects of the Von der Heyden Group, and consequently, the operating results of the Group have a direct effect on the Company's financial position and performance, including the ability of the Company to meet its payment obligations under the issued bonds.

The Company's assets consist principally of the loans advanced to the related companies and the accrued interest thereon. Therefore, the ability of these companies to affect payments to the Company under such loans will depend on their respective cash flows and earnings.

Review of the Business

By virtue of prospectus dated 30 January 2017 approved by the Listing Authority on the same date, 25,000 bonds with a face value of €25,000,000 were issued to the general public. The unsecured bonds are redeemable on 8 March 2024 and have a coupon rate of 4.4%.

Interest is payable annually in arrears on 8 March, with the first interest payment date being 8 March 2018. Timan Investments Holdings Limited, as Guarantor, has provided a corporate Guarantee in favour of the Bondholders, of which further information is contained in Annex B to the Securities Note forming part of the Prospectus. The allocation of the net bond proceeds is further described in section 5.1 of the Securities Note and section E of the Summary Note, both forming part of the Prospectus. The date of admission of the bonds to listing was 17 March 2017 and the date of commencement of trading in the bonds was 20 March 2017.

The Company, as Issuer of the bonds, does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company. The Company therefore serves as a vehicle through which the Von der Heyden Group will continue to finance its future projects and/or enabling the Von der Heyden Group to seize new opportunities arising in the market. The Company operates exclusively in and from Malta.



VON DER HEYDEN GROUP FINANCE plc

At 31 December 2017, the Company had on-lent and made available from its net bond proceeds an amount of € 21,700,000 to various companies of the Von der Heyden Group, resulting in an interest income of € 1,104,177 and a corresponding interest expense of € 895,278. This positive interest income for the financial period ended 31 December 2017, thus amounting to € 208,899, serves to cover the operating expenses. The loans provided to the various related companies have been made in accordance with the parameters as set out in the Company's Prospectus.

Further loans are planned to be made during the year 2018 from the funds remaining available. This will provide for a further increase of the positive net interest income (gross profit) and is expected to result in a positive operating profit and equity for the 2018 financial year.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Refer to note 17 in these financial statements.

Results and Dividends

The results for the period are set out in the statement of comprehensive income on page 14. The directors do not recommend the payment of a dividend.

Related Party Transactions

During the financial period ended 31 December 2017 there have been no material related party transactions which have not been concluded under normal market conditions.

To the best of our knowledge, the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

Directors

The directors who held office during the period were:

Robert Hendrik Rottinghuis
Sven von der Heyden
Francis J. Vassallo
Robert Aquilina (appointed on 1 January 2017)
Kevin Deguara (appointed on 1 January 2017)

In accordance with the Company's Articles of Association, all directors retire from the board and are eligible for re-election.



VON DER HEYDEN GROUP FINANCE plc

Statement of Directors' Responsibilities Pursuant to Listing Rule 5.68

The Companies Act (Cap. 386) requires the directors to prepare financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the company as at the end of the financial period and of the profit or loss for that period. In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in the business;
- select suitable accounting policies and 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;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision 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 to enable them to ensure that the 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 financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In view of the above information, we declare that to the best of our knowledge, the financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that this report includes a fair review of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Going Concern Statement Pursuant to Listing Rule 5.62

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Events After the Reporting Period

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



VON DER HEYDEN GROUP FINANCE plc

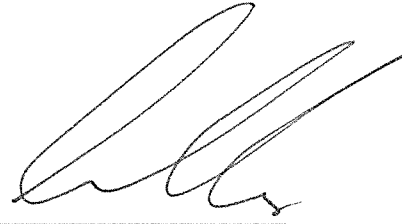
Auditors

RSM Malta, Certified Public Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Signed on behalf of the Board of Directors by:



Robert Hendrik Rottinghuis



Sven von der Heyden

17 April 2018



VON DER HEYDEN GROUP FINANCE plc

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

On November 4th, 2016, the Company has adopted a Code of Principles of Good Corporate Governance as contained in Appendix 5.1 and as referred to in LR 5.94 – 5.97 of Chapter 5 of the Maltese Listing Rules. This Corporate Governance Code has been signed by all executive and non-executive directors of the Company and is regularly discussed and compliance thereto verified during the Company's board meetings. The original signed Corporate Governance Code is available for inspection by the public at the registered office of the Company.

In accordance with art. 2 of the Corporate Governance Code, Mr. Sven von der Heyden has been appointed as Chairman of the Company and Mr. Robert Hendrik Rottinghuis as its Chief Executive Officer.

In accordance with art. 3 of the Corporate Governance Code, the Board of Directors of the Company is further made up of the following independent non-executive directors:

- Mr. Francis J. Vassallo
- Mr. Robert Aquilina
- Mr. Kevin Deguara

In accordance with art. 4 of the Corporate Governance Code, the Board of Directors of the Company has, in addition to setting the Company's strategy, policies and objectives, established an Audit Committee in line with the requirements of the Listing Rules issued by the Listing Authority. The purpose of the Audit Committee is that of assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process and the process for monitoring compliance with applicable laws and regulations. The following Directors sit on the Audit Committee:

- Mr. Francis J. Vassallo (Chairman of the Audit Committee)
- Mr. Robert Aquilina (Member of the Audit Committee)
- Mr. Kevin Deguara (Member of the Audit Committee)

The Audit Committee's Terms of Reference, adopted on January 12th, 2017, are intended to set out the powers and responsibilities of the Audit Committee. The Audit Committee is a sub-committee of the Board constituted to fulfil an oversight role in connection with the quality and integrity of the Company's financial statements and consists of the Company's three independent non-executive directors, in accordance with art. 3 of the Corporate Governance Code. In performing its duties, the Audit Committee is to maintain effective working relationships with the Board of Directors, management and the external auditors of the Company. To further enhance this, the Company also makes use of an external independent advisor to the Audit Committee, who has a strong background in accounting and audit. The Audit Committee shall furthermore consider the arm's length nature of related party transactions that the Company carries out, given the role and position of the Company within the Von der Heyden Group, specifically its status of a special purpose vehicle set up to act as a financing company solely for the needs of the Von der Heyden Group.

The Company's internal control system is designed to ensure proper quarterly and annual reporting, implementation of the four-eyes principle to mitigate risks and compliance with local and international laws and regulations. The Company's financial reporting has been prepared by an independent third party accounting firm based in Malta in cooperation with the international finance team of the Von der Heyden Group and the Company's executive directors and CFO. Thereafter the annual audit of the Company's financial statements has been performed by RSM Malta. The audited and approved financial statements will be presented to the Company's shareholders by the Board of Directors of the Company for its formal adoption in the Annual General Meeting of Shareholders in which Timan Investments Holdings Limited has the sole voting power as holder of all 249,999 issued and outstanding shares A.



VON DER HEYDEN GROUP FINANCE plc

In accordance with art. 5 of the Corporate Governance Code, the Board of Directors of the Company has formally met during the year 2017 on five occasions in its offices in Malta. It has furthermore jointly travelled abroad to visit multiple of the Von der Heyden Group's projects in Germany and Poland for which the Company has provided financing.

In accordance with art. 6 of the Corporate Governance Code, the Directors, especially non-executive Directors, have access to independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors. All Directors have access to the advice and services of the company secretary, Mr. Adrian Paul Sciberras, who is responsible to the board for ensuring that board procedures are complied with.

The Company, due to its continuous oversight and communication with its shareholder, has not established yet a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role in accordance with art. 7 of the Corporate Governance Code.

The Company, due to its limited operational function within the Von der Heyden Group, has not established yet a nomination or remuneration committee in accordance with art. 8 of the Corporate Governance Code. No part of the remuneration paid to the directors is performance based. The directors receive a fixed monthly remuneration and as Directors of the Company are not entitled to profit-sharing, share options or pension benefits.

In accordance with art. 9 of the Corporate Governance Code, the Company regularly issues Company Announcements in order to formally comply with the Listing Rules as well as to inform the market about business updates of the Von der Heyden Group and its IBB Hotel Collection projects. Furthermore, as part of the Company's relation with the market, it organizes an annual financial intermediaries and institutional investor presentation to provide a further background on the Group's financial performance of the previous year and current year outlook. The Company has furthermore introduced a bondholder loyalty program for its registered bondholders at interest payment cut-off date granting benefits in the Group's IBB Hotel Collection establishments in Malta and abroad.

The Company is privately held and has no institutional shareholders, therefore art. 10 of the Corporate Governance Code does momentarily not apply to the Company.

In accordance with art. 11 of the Corporate Governance Code, the Company concludes that up to this date no actual or potential conflicts of interest have occurred. Should this nevertheless be the case, any director who would have a conflict of interest shall refrain from voting on the subject matter.

The Company and the Von der Heyden Group in general make regular contributions to social and charitable causes and projects and adheres to accepted principles of corporate social responsibility as well as business and ethical standards.



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Von der Heyden Group Finance p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Von der Heyden Group Finance p.l.c., which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory information set out on pages 14 - 28.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Von der Heyden Group Finance p.l.c. as at 31 December 2017, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements 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.

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.

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Significant Financing Transactions

The principal activity of Von der Heyden Group Finance p.l.c. is to obtain finance through the bond issue to finance the capital projects of the companies within the Von der Heyden Group. The Company has advanced part of the proceeds from the bond issue to related companies under similar terms, with a higher lending rate in order for Von der Heyden Group Finance p.l.c. to cover its operating expenses. The recoverability of the loans advanced to related companies is dependent on the operations of the related companies.

Our audit procedures on the transactions, include amongst others:

- inspecting the agreements for the amounts advanced to the related companies to confirm compliance with terms and conditions;
- reviewing and evaluating the directors' assessment of the related companies' ability to continue as a going concern taking into consideration information gathered by us throughout our audit;
- ensuring that the funds obtained from the bond issue were applied according to the prospectus.

During the audit process, we ascertained that the related companies accounts reflect such amounts due to Von der Heyden Group Finance p.l.c.

With respect to the going concern, we assessed the ability of the related companies to repay the loans advanced to them together with the interest. The companies involved in the property business have the current market value of their property higher than the carrying amount. The operating companies, despite most of them are currently incurring losses, are expected to start generating profits once the necessary additional capital investments are made. Furthermore, Timan Investments Holdings Limited, who is also the guarantor of the bonds, has an investment in a company investing in property which is expected to make substantial profits in the near future.

From our assessment of the application of the funds from the bond issue, it was noted that €5.2 million were advanced to Von der Heyden Group Holdings S.A.R.L. at the same interest rate of the bonds of 4.4%. This allocation of funds does not form part of the list of funds allocation in the prospectus. The aim of this allocation was to earn interest equivalent to that paid on the bonds until the funds are needed to carry out the planned projects.

Other Information

The directors are responsible for the other information. The other information comprises the general information, the directors' report and the statement of compliance with the principles of good corporate governance. Our opinion on the financial statements does not cover the other information, including the directors' report.

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

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Other Information - continued

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 period 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 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 and other information. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the 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 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.

The directors have delegated the responsibility for overseeing the company's financial reporting process to the Audit Committee.

Auditors' 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 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.

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Auditors' Responsibilities for the Audit of the Financial Statements - continued

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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 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.

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

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

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Report on other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

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

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

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

In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

This copy of the audit report has been signed by



Conrad Borg

(Partner)

for and on behalf of

RSM Malta

Certified Public Accountants

17 April 2018

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the period ended 31 December 2017

STATEMENT OF COMPREHENSIVE INCOME


		15.09.2016 to 31.12.2017 €
	Note	
Interest income	6	1,104,314
Interest expense	7	(895,278)
Gross profit		<u>209,036</u>
Administrative expenses		(444,309)
Loss before tax	4	<u>(235,273)</u>
Taxation	8	(21)
Loss for the financial period		<u>(235,294)</u>
Total comprehensive loss for the period		<u>(235,294)</u>
Earnings per share		<u>(1.19)</u>


VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the period ended 31 December 2017

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2017 €
ASSETS		
Non-current assets		
Loans receivable	9	<u>21,700,000</u>
Current assets		
Trade and other receivables	14	874,477
Cash and cash equivalents	15	<u>3,098,627</u>
		<u>3,973,104</u>
TOTAL ASSETS		<u>25,673,104</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	11	250,000
Accumulated losses		<u>(235,294)</u>
TOTAL EQUITY		<u>14,706</u>
Non-current liabilities		
Borrowings		<u>24,750,219</u>
Current liabilities		
Trade and other payables	14	<u>908,179</u>
TOTAL LIABILITIES		<u>25,658,398</u>
TOTAL EQUITY AND LIABILITIES		<u>25,673,104</u>

The financial statements on pages 14 to 28 have been authorised for issue by the Board of Directors on 17 April 2018 and were signed on its behalf by:


Robert Hendrik Rottinghuis
Director


Sven von der Heyden
Director

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the period ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Accumulated losses €	Total equity €
Financial period ended 31 December 2017			
Issuance of share capital	250,000	-	250,000
Total comprehensive loss for the period:			
<i>Loss for the financial period</i>	-	(235,294)	(235,294)
Balance at 31 December 2017	250,000	(235,294)	14,706

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the period ended 31 December 2017

STATEMENT OF CASH FLOWS

	Note	2017 €
Cash flows from operating activities:		
Loss before tax		(235,273)
Adjustment for:		
Interest income		(1,104,314)
Amortisation of bond expenses		<u>33,754</u>
Loss from operations		(1,305,833)
Increase in trade and other receivables		(150,553)
Increase in trade and other payables		908,179
Tax paid		<u>(21)</u>
Net cash flows used in operating activities		<u>(548,228)</u>
Cash flows from investing activities:		
Loans to related parties		(21,700,000)
Interest received		<u>380,390</u>
Net cash flows used in investing activities		<u>(21,319,610)</u>
Cash flows from financing activities:		
Proceeds from issuance of equity shares		250,000
Net proceeds from issuance of bond		<u>24,716,465</u>
Net cash flows from financing activities		<u>24,966,465</u>
Net increase in cash and cash equivalents		<u>3,098,627</u>
Cash and cash equivalents at end of period	15	<u>3,098,627</u>

NOTES TO THE FINANCIAL STATEMENTS

1. NEW AND REVISED STANDARDS

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the European Union, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments, listed below, ahead of their effective date.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. NEW AND REVISED STANDARDS - continued

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors are still assessing whether the application of IFRS 9 is likely to have an impact on the Company's accounting of financial assets. At present, the Company has not opted for early adoption of this standard, thus the potential impact on the financial statements has not yet been fully assessed.

Other new standards, interpretations or amendments thereto, were in issue but the directors do not anticipate that they would have any impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention and basis of preparation

These financial statements are prepared in accordance with IFRS as adopted by the European Union and comply with the Companies Act (Cap. 386) enacted in Malta. These financial statements are prepared under the historical cost convention, except for certain financial instruments which are stated at fair value, and on the going concern basis.

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

The preparation of financial statements in conformity with IFRS as adopted by the European Union 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 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. In the opinion of the company's directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue - continued

Interest income

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

Loans receivable

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivable are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

Prepayments and other receivables

Prepayments and other receivables are recognised and carried at original invoice.

Cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity 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 purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Impairment

The carrying amount of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. 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 or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowings

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

Trade and other payables

Liabilities for trade and other payables, including amounts owed to related party 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.

Ordinary shares

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

Tax

The tax charge/(credit) in the profit or loss for the year normally comprises current and deferred tax.

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

Deferred income tax is provided using the balance sheet liability method, 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 at the end of the 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 assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

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.

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

3. GOING CONCERN

During this financial period the Company issued 25,000 4.4% redeemable bonds of €1,000 each to the public. Most of the proceeds received therefrom were advanced to related companies at an annual interest rate of 7.5%.

The ability of Von der Heyden Group Finance p.l.c. to meet its obligations, both in terms of servicing its debt and ultimately repaying the bond holders on the redemption date, is thus dependent on the ability of the related companies to meet their obligations towards Von der Heyden Group Finance p.l.c.

The directors are confident that the Group will have sufficient funds in order to meet its commitments in the foreseeable future and it is therefore appropriate to adopt the going concern assumption in the preparation of these financial statements.

4. LOSS BEFORE TAX

The loss before tax is stated after charging:

	15.09.2016
	to
	31.12.2017
	€
Staff costs (Note 5)	221,440
Auditors' remuneration	6,195
Formation costs	6,745
	<u> </u>

5. STAFF COSTS

Staff costs incurred during the period were as follows:

	15.09.2016
	to
	31.12.2017
	€
Directors' fees and remuneration	203,840
Salaries and wages	17,600
	<u> </u>
	221,440

The average number of persons employed by the company during the year was 6.

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

6. INTEREST INCOME

	15.09.2016 to 31.12.2017 €
Interest receivable from loans to related parties	1,104,177
Bank interest receivable	137
	<u>1,104,314</u>

7. INTEREST EXPENSE

	15.09.2016 to 31.12.2017 €
Interest on bonds payable	<u>895,278</u>

8. TAXATION

The tax charged to profit or loss comprised of the following:

	2017 €
Current tax charge	<u>21</u>

The tax on the Company's loss before tax differs from the theoretical tax credit that would arise using the applicable tax rate in Malta of 35% as follows:

	15.09.2016 to 31.12.2017 €
Loss before tax	<u>(235,273)</u>
Theoretical tax credit at 35%	(82,346)
Tax effect of:	
Non-deductible expenses	82,394
Lower tax rate on interest income	(27)
	<u>21</u>

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

9. LOANS RECEIVABLE

	2017
	€
Timan Investment Holdings Limited	1,750,000
Lublin Grand Hotel Sp Z o.o.	50,000
First Polish Real Estate B.V.	3,000,000
IBB Hotel Deutschland Betriebs GmbH	565,000
IBB Blue Hotel Betriebs GmbH	310,000
IBB Espana 2004 S.L.	180,000
Timan Investments Espana S.L.	6,025,000
IBB Management 2007 S.L.	200,000
Hotel Sol Del Este S.L.	250,000
IBB Hotel Management Europe Ltd	600,000
Gzira 14 East Limited	775,000
KASA Investments GmbH	1,425,000
Von Der Heyden Group Holdings S.A.R.L.	6,200,000
IBB Hammetts Operations Limited	300,000
IBB Hotel Collection Holding S.L.	70,000
	<u>21,700,000</u>

These represent loans advanced to related companies from the net proceeds of the bond issue. They are subject to interest at an annual rate of 7.5% except for €5,200,000 which is subject to interest at an annual rate of 4.4%. The loans are repayable as follows: €1,825,000 within 1 - 2 years, €2,480,000 within 2 - 5 years and €17,395,000 after 5 years but not later than 1 March 2024.

10. TRADE AND OTHER RECEIVABLES

	2017
	€
Amounts owed by parent undertaking	150,000
Accrued interest on loans receivable	723,924
Prepayments	553
	<u>874,477</u>

The amounts owed by parent undertaking are unsecured, subject to an annual interest of 7.5% and are repayable by 31 December 2018.

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

11. SHARE CAPITAL

	2017 €
Authorised, issued and fully paid up	
249,999 Ordinary 'A' Shares of €1 each	249,999
1 Ordinary 'B' Share of €1	1
	250,000

Each ordinary A share has the right to one vote at any general meeting of the company. The ordinary B share does not have any voting rights nor any rights to distributions or dividends.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period

	2017
Loss for the period	€ 235,294
Weighted number of ordinary shares	198,387
Earnings per share	€ (1.19)

13. BORROWINGS

	2017 €
Non-current	
4.4% Bonds redeemable on 8 March 2024	24,750,219

During the year the 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 pursuant 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 parent company, Timan Investments Holdings Limited, has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all the payment obligations undertaken by Von der Heyden Group Finance p.l.c. under the Bonds if the company fails to do so.

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

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

14. TRADE AND OTHER PAYABLES

	2017
	€
Trade payables	112
Accruals	901,861
FSS payable	6,206
	<u>908,179</u>

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the statement of cash flows reconcile to the amounts shown in the statement of financial position as follows:

	2017
	€
Bank balances	<u>3,098,627</u>

16. RELATED PARTY TRANSACTIONS

Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the company's operations. During the year, the company has affected advances to these entities out of the bond issue proceeds as disclosed in note 9 to the financial statements. Interest receivable earned on these advances is disclosed in note 6 and the accrued interest receivable at period-end is disclosed in note 10 to the financial statements.

Directors fees and remuneration are disclosed in note 4 to the financial statements.

17. FINANCIAL INSTRUMENTS

At the period end, the company's main financial assets in the statement of financial position comprise cash and cash equivalents, other receivables and loans receivable. At the year end, there were no off-balance sheet financial assets.

At the period end, the company's main financial liabilities in the statement of financial position comprise bonds payable 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 operations.

Timing of cash flows

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

VON DER HEYDEN GROUP FINANCE P.L.C.
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NOTES TO THE FINANCIAL STATEMENTS - continued

17. FINANCIAL INSTRUMENTS - continued

Capital risk management

Von der Heyden Group Finance p.l.c. manages its capital to ensure that it 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 capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 13, and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings as disclosed in Note 11 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 to concentrations of credit risk consist principally of loans advanced to related companies and the accrued interest thereon and cash at bank.

The recoverability of the loans advanced to related companies and the accrued interest thereon is dependent on the performance of these companies and their ability to affect payments to the Company under such loans. After considering the performance and the outlook of the business of such companies, the directors believe that the credit risk on such loans is limited.

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.

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise the bonds payable in issue and the trade and other payables disclosed in notes 13 and 14. Prudent liquidity risk is managed by maintaining significant levels of liquid funds, and identifying and monitoring changes in funding to ensure the availability amount of funding to meeting the Company's obligations.

The Company forms part of the Von der Heyden Group. The Company has advanced most of the amounts borrowed by way of bonds to companies within the Von der Heyden Group. This implies that the Company would have to receive settlement of interest receivable from the related companies in order to be able to meet its interest payable as it falls due.

The Directors monitor liquidity risk by forecasting the expected cash flows in order to ensure that adequate funding is in place in order for the Group to be in a position to meet its commitments as and when they fall due.

The table below analyses the Company's financial liabilities by the remaining contractual maturities using the contractual undiscounted cash flows.

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the period ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS - continued

17. FINANCIAL INSTRUMENTS - continued

Liquidity risk - continued

The table below analyses the Company's financial liabilities by the remaining contractual maturities using the contractual undiscounted cash flows.

Liquidity table

	Within 1 year €	1 to 2 years €	2 to 5 years €	Over 5 years €	Total €
Trade and other payables	12,891	-	-	-	12,891
Debt securities in issue	1,100,000	1,100,000	3,300,000	27,200,000	32,700,000
	<u>1,112,891</u>	<u>1,100,000</u>	<u>3,300,000</u>	<u>27,200,000</u>	<u>32,712,891</u>

Interest rate risk

In view of the nature of its activities, the Company's transactions consist of interest income on the loans advanced to related companies from the proceeds of the bond issue and the interest payable on the bonds. However, these are independent of changes in market interest rates. Both the loans receivable from related companies and the bonds are subject to fixed interest rates. The Company has charged a higher lending rate on its receivables to cover its operating expenses. Also the loans receivable have similar maturities to the bonds payable.

Fair values

The carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities approximated their fair values due to their short-term maturities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

18. STATUTORY INFORMATION

Von der Heyden Group Finance p.l.c. is a public limited liability company and is incorporated in Malta.

Von der Heyden Group Finance p.l.c. is a subsidiary of Timan Investments Holdings Limited, a company registered in Malta, with its registered address at 46, Palazzo Spinola, St. Christopher Street, Valletta VLT 1464, Malta, Timan Investments Holdings Limited owns 100% of the voting capital of the company.

The 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.

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