Company Registration No. C 63335

TIMAN INVESTMENTS HOLDINGS LIMITED

Annual Report
and
Financial Statements

31 December 2019

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Directors, officers and other 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 Antonio Fenech (appointed 13th February 2019)
Company Secretary:	Adriana Camilleri Vassallo (resigned 1 June 2019) Luke Coppini (appointed 1 June 2019 / resigned 1 January 2020) Michael Schembri Parnis (appointed 1 January 2020)
Registered office:	14 East, Level 8 Sliema Road Gżira, GŻR 1639 Malta
Country of incorporation:	Malta
Auditor:	Ernst & Young Malta Limited Regional Business Centre Achille Ferris Street Msida, MSD 1751 Malta
Bankers:	Lombard Bank Malta p.l.c. 67, Republic Street Valletta VLT 1117 Malta UBS Switzerland AG Paradeplatz 6 CH-8001 Zürich Switzerland

The directors submit their annual report and the financial statements for the year ended 31 December 2019.

Principal activity

TIMAN Investments Holdings Limited and its subsidiaries (the Group) are involved in real estate development, real estate investments & leasing, hospitality, hotel management and travel business in Poland, Germany, Spain, Portugal, Malta and Ukraine.

TIMAN Investments Holdings Limited (the Company) holds for capital growth and income generation, investments in subsidiaries and associated companies. It also provides financing to group and related companies.

Results and dividends

The consolidated statement of comprehensive income is set out on page 6. During the year ended 31 December 2019, the Group and the Company did not declare any dividend (2018: EUR6,000,000).

Review of the business

The Group turnover for 2019 reached a record EUR25,883,596 (2018: EUR23,842,032) registering an increase of EUR2,041,564 (8.6%) over 2018. The growth in revenues was registered in all the markets the Group operates in. During the year under review, the Group's gross profit was of EUR21,490,877 (2018: EUR19,194,575) with an operating loss of EUR2,629,288 (2018: EUR1,514,705)

During the year under review, EBITDA (calculated excluding share of profit from associate) amounted to EUR3,387,218 (2018: (EUR2,222,057)). With the reclassification change of IFRS 16 the EBITDA measurement becomes more meaningful. The Group in 2019 generated EUR2.5 million positive cash flow.

After accounting for investment income and finance costs, the group registered a pre-tax loss of EUR1,949,469 (2018: profit of EUR12,994,300).

The Group's total assets as at 31 December 2019 amounted to EUR147,785,446 (2018: EUR107,485,547) an increase of 37%.

During this financial year, the Group´s results have again been positively impacted by its associate Bogenhausener Tor Immobilien Sarl (BTI) having sold its second and last asset, the Blue Tower forming part of the Bavaria Towers office and hotel development in the city of Munich, Germany. The asset was sold in December 2019 to the leading asset manager on the German market Real IS consortium with the main shareholder Bayerische Versorgungskammer. The property was sold at a record yield of less than 3%, registering the highest rate of return of equity for the Group in its A Class real estate portfolio. Though the main impact of the sale in the P&L was reflected already in 2018 due to a revaluation to fair market value, the sale of this asset has generated a share of profits which amounted in 2019 to EUR3.1m.

The Group also sold in December 2019 the hotel Paradis Blau in Menorca, Spain, held through its subsidiary IBB Hotel Collection Holding S.L. at a price of EUR5m.

During the year 2019 the performance of the hotel management activities through the Group's IBB Hotel Collection has not reached the expected profit levels due to market competition and the need to restructure some operations. The first 2 months of 2020 were promising with nearly all Hotels in the group meeting budget, however due to the unprecedented events caused by the pandemic Covid-19 IBB Hotel Collection is now restructuring its hotel portfolio. The strategy is to only maintain in the collection those hotels that generate a sustainable profitability. The Group will also work to optimize the headquarters structure adjusting it to the actual situation. The impact of Covid-19 on the financial performance of the Group is discussed in Note 31.

During the year the Group continued to monitor the market for new opportunities. In Q4 2019 the Group opened an office in Kyiv, Ukraine and hired a team of highly skilled real estate and asset management professionals. The Group is in the process of obtaining an asset management license and plans to set up a real estate investment fund dedicated mainly to the Ukrainian commercial and residential real estate markets of Kyiv and Lviv.

Review of the business - continued

The Group has also launched a real estate services arm in one of the world´s most exclusive luxury locations, Costa Smeralda, Sardinia, Italy. Von der Heyden Group Real Estate provides a specialist perspective and bespoke brokerage service in the real estate market to buyers and property owners. Furthermore, the Group has acquired a 25% stake in a residential co-development project in the Algarve, Portugal. The site in the city of Lagoa has been acquired and the construction will commence in H1 2020 after obtaining the relevant building permits and construction financing, both of which are in advanced stages.

The Group has also screened the Montenegro real estate market and intends to undertake its first investment in H1 2020 purchasing a plot of 10,000 square meters nearby the City of Budva for residential development.

The financial statements of year 2019 have been impacted by the introduction of IFRS 16 on the accounting for leases. The new standard requires lessees to recognise nearly all leases on the balance sheet reflecting as an asset their right to use for a period of time and recognising in the balance sheet the outstanding lease payments. In general, the effects on the financial statements are the following: the balance sheet grows on the asset side, but the gearing ratio increases while the capital ratio decreases. There is also a change to both the expense character (rent expenses are replaced with depreciation and interest expenses) and the recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today).

The gearing ratio of the Group (total net debt / total assets) changed to 65.78% at the end of the year as opposed to 54.68% in 2018. The reason of this increase is the effect of IFRS 16. Without considering the IFRS 16 effect the gearing ratio would have been 51.89%.

Financial risk management

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Refer to note 28 in these financial statements.

Future developments

The directors acknowledge that the current COVID-19 pandemic makes it difficult to forecast future developments in detail. However, the sale of the Blue Tower and receipt of most of the purchase price in January 2020, has led to a comfortable liquidity position (given that the countervalue of the net asset value in this project converted to a large extend in cash reserves). The Group will continue to focus on the current real estate development projects underway while implementing the restructuring programme for the IBB Hotel Collection’s portfolio of hotels in Germany, Spain, Poland and Malta and mitigate the negative effects of the COVID-19 pandemic. Various governments have offered extensive support mechanisms to support the labour costs component of various hotels. The total financial support that will accrue to the Group for 2020 has not been confirmed as applications are still being assessed and schemes announced. The directors have made a detailed assessment of the impact of the Hotel Collection on the Group results as disclosed in the assessment for going concern disclosed in Note 1. Furthermore, it is important to mention that Timan Investments Holdings Limited financial exposure is not threatened by any corporate guarantees in relation to the hotel operations or other third parties other than being the Guarantor for the Bond issued by Von der Heyden Group Finance. Despite the challenges that the Covid-19 crises poses, the directors also believe that this could be an opportunity to restructure underperforming operations and take advantage in the capital and investment markets given the drastic correction of capital values currently ongoing at the time of reporting. The company will focus on turn-around situation which come at a massive discount to the replacement value, focus on its Asset Management Business line and develop the Andersia Silver Project in Poznan, Poland.

Events after the end of reporting period

Such events are disclosed in Note 31 to the financial statements concerning subsequent events.

Directors

During the year ended 31 December 2019, 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 Group and the Company as at the end of the financial period and of the profit or loss for that period.

In preparing the consolidated and separate 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 Group and the Company, and to enable them to ensure that the consolidated and separate financial statements comply with the Companies Act (Cap. 386) enacted in Malta and the International Financial Reporting Standards as adopted by the EU. 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young 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
Executive Director/Chairman

Javier Errejon Sainz de la Maza
Executive Director

Antonio Fenech
Executive Director

29 April 2020

TIMAN INVESTMENTS HOLDINGS LIMITED

Statements of profit or loss and other comprehensive income
Year ended 31 December 2019

	Notes	**Group 2019 Eur**	Group 2018 Eur	**Holding company 2019 Eur**	Holding company 2018 Eur
Revenue	4	**25,883,596**	23,842,032	**-**	-
Cost of sales	5	**(4,392,719)**	(4,647,457)	**-**	-
Gross profit		**21,490,877**	19,194,575	**-**	-
Other operating income		**542,160**	329,722	**52,186**	82,333
Administrative expenses	5	**(24,662,325)**	(21,039,002)	**(1,213,328)**	(624,269)
Operating loss		**(2,629,288)**	(1,514,705)	**(1,161,142)**	(541,936)
Allowance for expected credit losses	28	**702,942**	(872,017)	**(231,255)**	(1,961,302)
Other gains/(losses)	7	**301,644**	(1,062,175)	**3,595,980**	16,722,546
Interest and other related income	8	**700,992**	1,247,082	**331,370**	730,295
Interest and other related expenses	9	**(4,170,776)**	(2,671,372)	**(457,940)**	(672,063)
Share of profit from associate		**3,145,017**	17,867,487	**-**	-
(Loss)/profit before tax		**(1,949,469)**	12,994,300	**2,077,013**	14,277,540
Income tax (expense)/credit	10	**(253,385)**	134,610	**50,907**	(52,378)
(Loss)/profit for the year		**(2,202,854)**	13,128,910	**2,127,920**	14,225,162
Other comprehensive income					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Movement in currency translation reserve		**108,802**	(498,734)	**-**	-
Other movement		**-**	-	**-**	(134)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax)					
Movement in fair value of land and buildings		**1,445,143**	3,048,734	**-**	-
Total comprehensive (loss)/income for the year		**(648,909)**	15,678,910	**2,127,920**	14,225,028

(Loss)/Profit attributable to:		
Equity holders of the company	*(2,182,485)*	*13,225,512*
Non-controlling interests	*(20,369)*	*(96,602)*
	(2,202,854)	*13,128,910*

Total comprehensive (loss)/income attributable to:		
Equity holders of the company	*(1,101,812)*	*15,558,340*
Non-controlling interests	*452,903*	*120,570*
	(648,909)	*15,678,910*

TIMAN INVESTMENTS HOLDINGS LIMITED

Statements of financial position
31 December 2019

	Notes	**Group 2019 Eur**	Group 2018 Eur	**Holding company 2019 Eur**	Holding company 2018 Eur
ASSETS					
Non-current assets					
Intangible assets	*12*	**178,735**	203,329	**-**	-
Property, plant and equipment	*13*	**38,632,525**	42,619,412	**53,023**	66,274
Right of use assets	*29*	**41,167,010**	-	**-**	-
Investment property	*14*	**17,680,874**	17,440,951	**-**	-
Investments in subsidiaries	*16*	**-**	-	**19,097,572**	18,714,216
Investment in associates	*17*	**24,674,525**	21,520,133	**24,933,354**	21,509,766
Loans and other receivables	*15*	**10,641,777**	11,533,889	**6,609,664**	1,263,195
Other financial assets	*18*	**220,371**	205,438	**-**	-
Deferred tax assets	*11*	**671,668**	553,189	**-**	-
		133,867,485	94,076,341	**50,693,613**	41,553,451
Current assets					
Inventories	*19*	**145,323**	156,052	**-**	-
Trade and other receivables	*20*	**7,260,346**	9,355,376	**5,046,532**	12,190,107
Cash and cash equivalents	*21*	**6,318,201**	3,802,604	**163,759**	241,481
Current tax assets		**194,091**	95,174	**-**	-
		13,917,961	13,409,206	**5,210,291**	12,431,588
TOTAL ASSETS		**147,785,446**	107,485,547	**55,903,904**	53,985,039

TIMAN INVESTMENTS HOLDINGS LIMITED

Statements of financial position (continued)
31 December 2019

	Notes	**Group 2019 Eur**	Group 2018 Eur	**Holding company 2019 Eur**	Holding company 2018 Eur
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	**3,804,641**	3,804,641	**3,804,641**	3,804,641
Share premium account	22	**4,445,283**	4,445,283	**4,445,283**	4,445,283
Other reserves	23	**6,442,088**	6,245,189	**-**	-
Currency translation reserve	23	**(660,695)**	(649,051)	**-**	-
Retained earnings		**14,914,787**	13,661,376	**37,224,216**	35,096,296
Equity attributable to owners of the parent		**28,946,104**	27,507,438	**45,474,140**	43,346,220
Non-controlling interests		**15,313,964**	17,401,539	**-**	-
Total equity		**44,260,068**	44,908,977	**45,474,140**	43,346,220
Non-current liabilities					
Borrowings	25	**79,645,469**	44,047,988	**3,288,983**	3,740,192
Deferred tax liabilities	11	**3,791,191**	3,243,999	**-**	-
		83,436,660	47,291,987	**3,288,983**	3,740,192
Current liabilities					
Trade and other payables	26	**6,069,082**	5,792,912	**512,009**	1,193,613
Other financial liabilities		**-**	-	**-**	-
Borrowings	25	**13,967,061**	9,345,622	**6,628,772**	5,580,771
Current tax liabilities		**52,575**	146,049	**-**	124,243
		20,088,718	15,284,583	**7,140,781**	6,898,627
Total liabilities		**103,525,378**	62,576,570	**10,429,764**	10,638,819
TOTAL EQUITY AND LIABILITIES		**147,785,446**	107,485,547	**55,903,904**	53,985,039

These financial statements on pages 6 to 66 were approved by the board of directors, authorised for issue on 29 April 2020 and signed on its behalf by:

Sven von der Heyden
Executive Director/Chairman

Javier Errejon Sainz de la Maza
Executive Director

Antonio Fenech
Executive Director

TIMAN INVESTMENTS HOLDINGS LIMITED

Statement of changes in equity – Group
Year ended 31 December 2019

	Share capital Eur	Share premium Eur	Other reserves Eur	Retained earnings Eur	Currency translation reserve Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2018	3,804,641	4,445,283	4,046,355	6,285,038	(448,625)	17,249,020	35,381,712
Impact from adoption of IFRS 9	-	-	-	(183,594)	-	-	(183,594)
Balance as at 1 January 2018	3,804,641	4,445,283	4,046,355	6,101,444	(448,625)	17,249,020	35,198,118
Profit for the financial year	-	-	-	13,225,512	-	(96,602)	13,128,910
Other comprehensive income	-	-	2,533,254	-	(200,426)	217,172	2,550,000
Total comprehensive income for the year	-	-	2,533,254	13,225,512	(200,426)	120,570	15,678,910
Depreciation transfer for land and buildings net of tax	-	-	(334,420)	334,420	-	-	-
Additional investment in subsidiary by NCI	-	-	-	-	-	31,949	31,949
Dividend (Note 24)	-	-	-	(6,000,000)	-	-	(6,000,000)
Balance as at 31 December 2018	**3,804,641**	**4,445,283**	**6,245,189**	**13,661,376**	**(649,051)**	**17,401,539**	**44,908,977**

TIMAN INVESTMENTS HOLDINGS LIMITED

Statement of changes in equity – Group
Year ended 31 December 2019

	Share capital Eur	Share premium Eur	Other reserves Eur	Retained earnings Eur	Currency translation reserve Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2019	3,804,641	4,445,283	6,245,189	13,661,376	(649,051)	17,401,539	44,908,977
Loss for the financial year	-	-	-	(2,182,485)	-	(20,369)	(2,202,854)
Other comprehensive income	-	-	1,092,317	-	(11,644)	473,272	1,553,945
Total comprehensive income for the year	-	-	1,092,317	(2,182,485)	(11,644)	452,903	(648,909)
Depreciation transfer for land and buildings, net of tax	-	-	(345,116)	345,116	-	-	-
Transfer between reserves (Note 23)	-	-	(550,302)	3,090,780	-	(2,540,478)	-
Balance as at 31 December 2019	**3,804,641**	**4,445,283**	**6,442,088**	**14,914,787**	**(660,695)**	**15,313,964**	**44,260,068**

TIMAN INVESTMENTS HOLDINGS LIMITED

Statement of changes in equity – Holding Company
Year ended 31 December 2019

	Share capital Eur	Share premium Eur	Other reserves Eur	Retained earnings Eur	Currency translation reserve Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2018	3,804,641	4,445,283	134	26,975,858	-	-	35,225,916
Impact from adoption of IFRS 9	-	-	-	(104,724)	-	-	(104,724)
Balance as at 1 January 2018	3,804,641	4,445,283	134	26,871,134	-	-	35,121,192
Profit for the financial year	-	-	-	14,225,162	-	-	14,225,162
Other comprehensive income	-	-	(134)	-	-	-	(134)
Total comprehensive income for the year	-	-	(134)	14,225,162	-	-	14,225,028
Dividend (Note 24)	-	-	-	(6,000,000)	-	-	(6,000,000)
Balance as at 31 December 2018	**3,804,641**	**4,445,283**	**-**	**35,096,296**	**-**	**-**	**43,346,220**

TIMAN INVESTMENTS HOLDINGS LIMITED

Statement of changes in equity – Holding Company
Year ended 31 December 2019

	Share capital Eur	Share premium Eur	Other reserves Eur	Retained earnings Eur	Currency translation reserve Eur	Non-controlling interests Eur	Total Eur
Balance as at 1 January 2019	3,804,641	4,445,283	-	35,096,296	-	-	43,346,220
Profit for the financial year	-	-	-	2,127,920	-	-	2,127,920
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	2,127,920	-	-	2,127,920
Balance as at 31 December 2019	**3,804,641**	**4,445,283**	**-**	**37,224,216**	**-**	**-**	**45,474,140**

TIMAN INVESTMENTS HOLDINGS LIMITED

Statements of cash flows
31 December 2019

	Group 2019 Eur	Group 2018 Eur	**Holding company 2019 Eur**	Holding company 2018 Eur
Cash flows from operating activities				
(Loss)/Profit before tax	**(1,949,469)**	12,994,300	**2,077,013**	14,277,540
Adjustments for:				
Depreciation and amortisation	**1,197,442**	1,226,840	**28,857**	24,957
Allowance for expected credit losses	**(702,942)**	872,017	**231,255**	1,961,302
Waiver of balance due to the company	**-**	450,000	**-**	450,000
Depreciation of right-of-use assets	**3,814,478**	-	**-**	-
Movement in fair value of investments in subsidiaries and associates	**-**	-	**(3,595,981)**	(17,028,994)
Movement in fair value of investment property	**(422,557)**	-	**-**	-
Share of profit of associated undertakings	**(3,145,017)**	(17,876,487)	**-**	-
Profit on disposal of property, plant and equipment	**(359,203)**	-	**-**	-
Amortisation of bond interest	**41,630**	41,630	**-**	-
Interest payable	**4,129,146**	2,671,372	**457,885**	672,063
Interest income	**(700,992)**	(1,569,422)	**(331,315)**	(730,295)
Operating profit before working capital movements	**1,902,516**	(1,189,750)	**(1,132,286)**	(373,427)
Movement in inventories	**10,729**	23,876	**-**	-
Movement in trade and other receivables	**(93,940)**	(6,478,814)	**-**	-
Movement in trade and other payables	**1,010,893**	22,722	**40,304**	86,322
Cash flows from operations	**2,830,198**	(7,621,966)	**(1,091,982)**	(287,105)
Interest paid	**-**	-	**-**	-
Taxation paid	**(130,685)**	(52,076)	**(73,333)**	(53,211)
Net cash flows from operating activities	**2,699,513**	(7,674,042)	**(1,165,315)**	(340,316)
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(795,818)**	(3,700,366)	**(15,607)**	(37,365)
Payments to acquire investment in associates and subsidiaries	**-**	-	**(386,563)**	-
Payments to acquire intangible assets	**(54,054)**	(162,500)	**-**	-
Payments to acquire an associate	**(9,250)**	-	**-**	-
Payments to acquire other financial assets	**(14,933)**	-	**-**	-
Payment to acquire investment property	**(447,854)**	(650,727)	**-**	**-**
Proceeds from disposal of investment property	**825,000**	-	**-**	**-**
Proceeds from disposal of property, plant and equipment	**5,693,950**	773,071	**-**	-
Net movement in loans to parent company	**1,072,008**	1,752,788	**-**	1,711,874
Net movement in loans to group companies	**-**	-	**(2,927,345)**	(1,679,282)
Net movement in loans to associates and other related companies	**2,610,364**	7,373,275	**4,716,640**	(919,002)

TIMAN INVESTMENTS HOLDINGS LIMITED

Statements of cash flows (continued)
31 December 2019

	Group 2019 Eur	Group 2018 Eur	**Holding company 2019 Eur**	Holding company 2018 Eur
Cash flows from investing activities- continued				
Net movement in amounts due from ultimate beneficial owner	**44,490**	(51,029)	**-**	(160,000)
Net movement in directors' account	**(10,000)**	-	**-**	-
Net movement in loans to third parties	**695,648**	53,470	**(23,000)**	(5,900)
Interest received	**72,506**	1,569,422	**136,356**	730,295
Net cash flows used in investing activities	**9,682,057**	6,957,404	**1,500,481**	(359,380)
Cash flows from financing activities				
Net movement in loans from parent companies	**(1,584,379)**	(866,618)	**(2,458,182)**	(1,091,618)
Net movement in loans from group companies	**-**	-	**-**	970,751
Net movement in loans from associates and other related companies	**2,051,114**	(366,940)	**2,593,531**	-
Net movement in loans from ultimate beneficial owner	**5,235**	1,538,402	**-**	-
Net movement in bank borrowings	**(1,531,895)**	2,440,200	**-**	-
Net movement in loans from third parties	**(2,010,105)**	(2,002,656)	**-**	(138,672)
Payment of principal portion of finance lease	**(4,599,443)**	-	**-**	-
Interest paid	**(2,139,489)**	(2,396,351)	**(548,237)**	(438,672)
Other borrowings	**140,893**	(349,430)	**-**	-
Net cash flows used in financing activities	**(9,668,069)**	(2,003,393)	**(412,888)**	(698,211)
Effect of changes in foreign exchange	**(197,904)**	(384,223)	**-**	-
Net movement in cash and cash equivalents	**2,515,597**	(3,104,254)	**(77,722)**	(1,397,907)
Cash and cash equivalents at the beginning of the period	**3,802,604**	6,906,858	**241,481**	1,639,388
Cash and cash equivalents at the end of the period (note 21)	**6,318,201**	3,802,604	**163,759**	241,481

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of Cap. 386 of the laws of Malta.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. Significant accounting policies are disclosed in Note 2.

These financial statements are presented in Euro (EUR) which is the Company's functional currency. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

1.1 GOING CONCERN ASSUMPTION

As at 31 December 2019, the Group's current liabilities exceeded its current assets by EUR6,170,757 (2018: EUR1,875,377) whereas the Group's total assets exceed its total liabilities by EUR44,260,068 (2018: EUR44,908,977).

The directors have assessed the appropriateness of the going concern basis by reviewing cash forecasts prepared by management, taking into account significant events and transactions that have occurred or are expected to occur subsequent to year end. These events include assessing the effects of Covid-19 on the Group Cash flow which is further discussed in Note 31 of these financial statements. Proceeds received in January 2020 from the sale of an office tower in Munich, in which the Group has a significant interest, has led to further enhancement of the liquidity position. Moreover the Group is in receipt of a promote fee for its role in the development of the same project. At the end of 2019 the Group had also sold a hotel in Menorca, Spain. The Group has plans to internally fund various investment opportunities in real estate and financial markets. The timing of these investments remains at the Group's discretion and this provides the flexibility to manage the cash flow and address further possible strains brought from the current volatile environment.

The directors are satisfied that the Group will be able to meet its working capital commitments and conclude that the Group has sufficient liquidity to meet all its obligations when and as these fall due in the foreseeable future. At the time of approving these financial statements, the Directors have determined that there is a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in the financial statements presented, unless otherwise stated.

2.1 Standards, interpretations and amendments to published standards effective 1 January 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period starting on 1 January 2019. Other than as described below the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Standards, interpretations and amendments to published standards effective 1 January 2019 - continued

IFRS 16 Leases

Group
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	Eur
Assets	
Right-of-use assets	44,981,488
Total assets	44,981,488
Liabilities	
Interest-bearing loans and borrowings	(44,981,488)
Total liabilities	(44,981,488)

The Group has lease contracts in place mainly for Hotel premises and office buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Refer to Note 2.7 Leases for the accounting policy before and after 1 January 2019.

- Leases previously classified as finance leases.

The Group did not have any finance leases on its books at the date of initial application.

- Leases previously accounted for as operating leases.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Standards, interpretations and amendments to published standards effective 1 January 2019 - continued

IFRS 16 Leases - continued

Group – continued

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:
- Right-of-use assets of EUR44,981,488 were recognised and presented separately in the statement of financial position.
- Lease liabilities of EUR44,981,488 (included in Interest bearing loans and borrowings) were recognised.
- There were no difference recognised in retained earnings as the Group adopted the approach whereby the right-of-use assets are initially measured equal to the lease liability.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Eur
Assets	
Operating lease commitments as at 31 December 2018	62,770,985
Change in measurement of lease payments	1,257,357
Cancellation of leases	(3,887,916)
Operating lease commitments as at 1 January 2019	**60,140,426**
Weighted average incremental borrowing rate at 1 January 2019	3.47%
Discounted using incremental borrowing rate as at 1 January 2019	**44,981,488**
Lease liabilities as at 1 January 2019	**44,981,488**

Holding Company

The adoption of IFRS 16 did not have a material impact on the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.2 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2020. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

2.3 Revenue

Revenues include all revenues from the ordinary business activities of the Group and are recorded net of value added tax. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income earned from accommodation, catering services and real estate leasing. Revenue from accommodation and real estate leasing is recognised over a period of time whereas revenue from catering and other services is recognised at a point in time. Service revenue is recognised when services have been rendered and collectability is reasonably assured.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any). The main performance obligation is to provide hospitality and leisure services as and when customers make use of the services. The transaction price follows a fee structure which is known at the date of booking or consumption of service and thus no significant estimates are required in this respect.

Accommodation and catering revenue correspond to all the revenues received from guests by owned and leased hotels and outlets. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, along the stay in the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Revenue from real estate leasing is recognised over a period of time.

Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments),
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group, as all financial assets are classified at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group holds no financial assets at fair value through OCI or profit or loss. The Company holds its investments in subsidiaries and associates at FVTPL.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.4 Financial instruments - continued

Financial assets at fair value through profit or loss

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

General approach

Under the general approach, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The 12-month ECL is calculated by multiplying the 12-month Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.4 Financial instruments - continued

Simplified approach

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Under the simplified approach the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

The Group holds no financial liabilities at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Prior to its adoption of IFRS 9 in 2018, the Group had applied IAS 39. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policy.

2.5 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets, other than investment property, are reviewed at each reporting date 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Impairment of non-financial assets- continued

Impairment losses recognised in prior periods are assessed at each reporting date 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.

2.6 Cash and cash equivalents

Cash in hand and at banks and short-term deposits with an original maturity of less than three months 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 overdrafts.

2.7 Leases

Policies applicable after 1 January 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Depreciation charged varies from 4 to 30 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.7 Leases – continued

Policies applicable after 1 January 2019 – continued

ii) Lease liabilities – continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 25).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Remains unchanged to policies applicable before 1 January 2019.

Policies applicable before 1 January 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.8 Borrowing costs

Given that the Group has no qualifying assets, borrowing costs are recognised as an expense in the period in which they are incurred.

2.9 Trade and other payables

Liabilities for trade and other payables, including amounts due to related parties 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 Group.

2.10 Ordinary shares

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

2.11 Tax

The tax charge/(credit) in the profit and 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 or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.12 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.

2.13 Basis of consolidation

Subsidiaries, which are those companies in which the Group, directly or indirectly, has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.13 Basis of consolidation – continued

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

Company	Statutory	Country	Holding
Donaupassage Hotel Betriebs GmbH	Passau	Germany	99.59%
IBB Blue Hotel Betriebs GmbH	Passau	Germany	99.59%
IBB Hotels Deutschland Betriebs GmbH	Passau	Germany	99.59%
IBB Hotel Erfurt GmbH & Co KG	Berlin	Germany	89.96%
IBB Hotel Management Europe Limited	Gzira	Malta	99.59%
Merkanti Hotel Operations Limited	Gzira	Malta	99.59%
Senglea Hotel Operations Limited	Gzira	Malta	99.59%
Von Der Heyden Group Finance p.l.c.	Gzira	Malta	100.00%
First Polish Real Estate B.V.	Amsterdam	Netherlands	53.45%
Andersia Tower Hotel Management Sp. z o.o.	Poznan	Poland	73.61%
Andersia Property Sp. z o.o.	Poznan	Poland	66.67%
Andersia Retail Sp. z o.o.	Poznan	Poland	66.67%
Dlugi Targ Sp. z o.o.	Lublin	Poland	50.00%
Dlugi Targ Hotel Management Sp. z o.o.	Lublin	Poland	50.00%
IBB Polska Sp. z o.o.	Lublin	Poland	99.59%
Lublin Grand Hotel Management Sp. z o.o.	Lublin	Poland	74.77%
Lublin Grand Hotel Sp. z o.o.	Lublin	Poland	75.00%
Nowy Swiat 5 Sp. z o.o.	Warsaw	Poland	100.00%
SPV WW1 Sp. z o.o.	Warsaw	Poland	99.88%
Von der Heyden & Partners Sp. z o.o.	Warsaw	Poland	99.88%
Von der Heyden Development Sp. z o.o.	Warsaw	Poland	100.00%
Hotel Sol del Este S.L.	Menorca	Spain	99.59%
IBB España 2004 S.L.	Menorca	Spain	99.59%
IBB Hotel Collection Holding S.L.	Menorca	Spain	99.59%
IBB Management 2007 S.L.	Mallorca	Spain	99.59%
Kalagastur S.L.	Menorca	Spain	99.59%
Timan Investments España S.L.	Menorca	Spain	100.00%
Urbelia Bailen S.L.	Madrid	Spain	69.00%
Urbelia Business S.L.	Madrid	Spain	69.00%
Urbelia Ciudad Real S.L.	Madrid	Spain	69.00%
Asset Management Company Von Der Heyden Group	Ukraine	Kiev	100.00%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.13 Basis of consolidation - continued

Non-consolidated participations

IBB Hotel Erfurt Verwaltungs GmbH	Berlin	Germany	100.00%
Viajes Menorca S.L.	Menorca	Spain	77.86%

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. Financial statements for Nowy Swiat 5 Sp. z o.o. are prepared as at 30 September 2019. No significant movements occurred to 31 December 2019.

Non-consolidated participations are immaterial to the Group.

2.14 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's consolidated statement of comprehensive income.

On disposal of a foreign entity, accumulated exchange differences are recognised in the profit or loss (section of 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*	
	2019	2018	**2019**	2018
PLN	**4.2976**	4.3014	**4.2568**	4.2615

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.15 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 Group and the Company 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. The percentage rates within the various entities within the Group are as follows:

Computer Software	-	12% - 25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.16 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.

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%
Machinery and equipment	-	7% - 25%

Assets under construction are carried at cost less impairment.

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.

2.17 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 by asset and charged through the statement of comprehensive income thereafter. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

2.18 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined by a professionally qualified architect/surveyor on the basis of market values.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition. The amount of consideration to be included in the gain or loss arising from the de-recognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.19 Investment in subsidiaries and associates

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 IFRS 9 (IAS 39 before 1 January 2018). Gains and losses in changes in fair value are taken to profit or loss.

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.

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 2019. 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 equal 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.

Company
The Company subsequently recognised the investment in associate using the fair value method in accordance with IFRS 9 (IAS 39 before 1 January 2018). Gains and losses in changes in fair value are taken to the statement of comprehensive income.

2.20 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.

2.21 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.

2.22 Provisions

Provisions are recognised when the Group and the Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.23 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held versus the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3. Significant accounting judgements, estimates and assumptions

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known.

Except for the below, in the opinion of the Directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - ‘Presentation of financial statements’.

Fair value of land and buildings and investment property

The Group uses the services of professional valuers to revalue the land and buildings and investment property. 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.

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 (e.g. 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 (e.g. the zoning regulations applicable to a property).

3. Significant accounting judgements, estimates and assumptions - continued

Fair value of land and buildings and investment property - continued

- 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 14.1, the Group uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of land and building and investment property. Note 14.1 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

Fair value of investments in subsidiaries and associates

As described in Note 16, the Group uses 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 16 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.

Investments in associates

Investments in associates are carried at equity method for the Group and at fair value for the Company. For one of its associates, the Company has agreements in place to hold a percentage of the shares as trustee on behalf of other principals. The associate has been accounted for using the effective shareholding which is reflective of the returns to which the Group and the Company are entitled.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the options available as part of the lease term for its property leases. The Group typically exercises its option to renew for these leases in view of the investment made in the operations in each location.

4. REVENUE

Revenue consists of income from hospitality and hotel management.

Revenue by geographical region:

	Group	
	2019	2018
	Eur	Eur
Poland	**10,799,877**	10,254,883
Spain	**3,947,652**	2,900,384
Germany	**10,033,913**	9,774,562
Malta	**1,102,154**	912,203
	25,883,596	23,842,032

Revenue by category of activity:

	Group	
	2019	2018
	Eur	Eur
Accommodation	**17,660,718**	16,373,706
Catering	**4,181,713**	4,760,401
Administration and consulting	**347,185**	640,572
Development	**178,090**	-
Leases	**840,018**	369,917
Other	**2,675,872**	1,697,436
	25,883,596	23,842,032

5. EXPENSES BY NATURE

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

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Cost of sales	**4,392,719**	4,647,457	-	-
Staff costs (Note 6)	**10,001,133**	9,033,064	**392,294**	264,328
Depreciation and amortisation	**1,197,442**	1,226,840	**28,857**	24,957
Depreciation re IFRS16 (Note 29)	**3,814,478**	-	**-**	-
Legal, Professional and outsourcing fees	**1,425,790**	1,359,393	**233,596**	105,826
Auditor fees	**230,639**	170,500	**81,834**	41,652
Marketing costs	**563,652**	276,927	**33,222**	4,573
Lease expenses	**534,200**	3,902,523	**68,044**	19,435
General administrative expenses	**1,106,089**	1,033,303	**120,062**	10,998
Commission	**1,095,876**	442,867	**-**	-
Cleaning and upkeep expenses	**1,534,870**	795,311	**946**	-
Utilities	**265,955**	447,426	**2,227**	-
Other operating expenses	**1,377,782**	892,409	**250,246**	152,362
Water and Electricity	**1,514,419**	1,458,439	**2,000**	138
	29,055,044	25,686,459	**1,213,328**	624,269

6. STAFF COSTS

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Personnel costs				
Wages and salaries	**6,704,339**	6,723,427	**272,751**	192,711
Social security costs	**1,379,474**	1,470,588	**14,638**	10,723
	8,083,813	8,194,015	**287,389**	203,434
Directors' fees and remuneration	**1,917,320**	839,049	**104,905**	60,894
Total staff costs	**10,001,133**	9,033,064	**392,294**	264,328

The Group had an average of 307 (2018: 330) employees and the Company had an average of 11 (2018: 8) during the year under review.

7. OTHER GAINS/(LOSSES)

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Impairment of goodwill (Note 30)	**-**	(1,079,461)	**-**	-
Loss on disposal of investments	**-**	-	**-**	-
Net foreign exchange differences	**(120,913)**	256,917	**-**	-
Unrealised gain on movement in fair value of investments in subsidiaries and associates	**-**	-	**3,595,980**	17,172,546
Waiver of loan receivables	**-**	(450,000)	**-**	(450,000)
Fair value gain on investment property	**422,557**	210,369	**-**	-
	301,644	(1,062,175)	**3,595,980**	16,722,546

8. INTEREST AND OTHER RELATED INCOME

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Interest on bank balances	**72,506**	1,422	**99**	14
Interest on loans to parent company	**246,175**	587,446	**300**	296,492
Interest on loans to group companies	**-**	-	**191,310**	113,892
Interest on loans to associates and other related parties	**327,854**	557,410	**133,652**	313,967
Interest on loans to ultimate beneficial owner	**16,070**	17,126	**-**	-
Interest on loans to third parties	**6,308**	82,705	**6,009**	5,930
Other interest income	**32,079**	973	**-**	-
	700,992	1,247,082	**331,370**	730,295

9. INTEREST AND OTHER RELATED EXPENSES

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Interest on bank loans and charges	**938,682**	832,802	**88**	4,184
Interest on loans from parent company	**14,415**	121,000	**997**	121,000
Interest on loans from group companies	**-**	-	**185,667**	145,274
Interest on loans from associated and other related parties	**159,968**	72,799	**126,567**	69,750
Interest on loans from ultimate beneficial owner	**99,142**	1,364	**-**	-
Interest on loans from third parties	**230,007**	501,777	**128,503**	331,855
Interest expense on bonds	**1,141,630**	1,141,630	**-**	-
Other interest payable	**90,536**	-	**16,118**	-
Interest on lease liabilities/leases	**1,496,396**	-	**-**	-
	4,170,776	2,671,372	**457,940**	672,063

10. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) for the year is analysed as follows:

	Group		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Current year taxation				
Income tax (credit)/charge on the taxable income for the year	**(10,799)**	7,987	**-**	52,378
Adjustments in respect of current income tax of previous year	**(50,907)**	-	**(50,907)**	-
Deferred taxation				
Transfer to deferred taxation account	**315,091**	(142,597)	**-**	-
Tax expense/(credit)	**253,385**	(134,610)	**(50,907)**	52,378

10. INCOME TAX EXPENSE/(CREDIT) - 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		Holding Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
(Loss)/profit before tax	**(1,949,469)**	12,994,300	**2,077,013**	14,277,540
Theoretical tax charge/(credit) using the parent's domestic tax rate of 35%	**(682,314)**	4,548,005	**726,955**	4,997,139
Tax effect of:				
- Non-taxable incomes	**(1,728,449)**	(6,141,640)	**(1,258,593)**	(6,010,391)
- Non-deductible expenses	**1,710,588**	1,122,943	**146,612**	1,192,350
- Unabsorbed tax losses not recognised	**399,509**	3,408	**-**	-
- Unabsorbed tax losses brought forward	**-**	-	**-**	-
- Movement in deferred tax losses brought forward	**-**	-	**385,437**	-
- Other differences	**(50,856)**	597,076	**(51,318)**	(1,452)
- Different tax rates of subsidiaries operating in other jurisdictions	**604,907**	(139,134)	**-**	-
- Flat rate foreign tax credit	**-**	(125,268)	**-**	(125,268)
Tax expense/(credit)	**253,385**	(134,610)	**(50,907)**	52,378

11. DEFERRED TAXATION

GROUP

Deferred income tax at 31 December relates to the following:

	2019	2018
	Eur	Eur
Deferred income tax asset is attributable to the following:		
Tax loss carried forward and other temporary differences	**671,668**	553,189
Deferred income tax liability is attributable to the following:		
Other temporary differences	**(157,091)**	(517,700)
Land and buildings	**(3,634,100)**	(2,726,299)
	(3,791,191)	(3,243,999)

The directors have assessed the recognition of the deferred tax asset and they are confident that the deferred taxation recognized in the financial statements will be realized in the foreseeable future through trading operations. As at 31 December 2019, the Group has an unrecognized deferred tax asset of EUR754,384 (2018: EUR685,666) arising mainly on trading losses which have not been recognized due to doubts over their recoverability. Trading losses held by the Group are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2019, the Company had unutilized tax losses of EUR1,577,739 (2018: EUR436,313), which gave rise to a deferred tax asset EUR552,209 (2018: EUR152,710). The net deferred tax asset has not been recognized in the financial statements in view of the potential uncertainty that future taxable profits would be available to absorb such asset.

11. DEFERRED TAXATION - continued

Reconciliation of deferred tax asset and liability

	2019	2018
	Eur	Eur
As of 1 January	**(2,690,810)**	(2,697,875)
Tax (expense)/credit during the period recognised in profit and loss (Note 10)	**(315,091)**	142,597
Tax expense during the period recognised in OCI	**(113,623)**	(135,532)
As at 31 December	**(3,119,524)**	(2,690,810)

12. INTANGIBLE ASSETS

GROUP

	Computer and other software
	Eur
Cost	
At 1 January 2019	472,535
Additions	54,054
Disposals	(10,231)
Effect of foreign exchange	325
At 31 December 2019	516,683
Amortisation	
At 1 January 2019	(269,206)
Charge for the year	(70,560)
Release on disposal	1,818
At 31 December 2019	(337,948)
Net book value	
At 31 December 2019	**178,735**

12. INTANGIBLE ASSETS - continued

GROUP

	Computer and other software Eur
Cost	
At 1 January 2018	338,520
Additions	162,500
Disposals	(27,605)
Effect of foreign exchange	(880)
At 31 December 2018	**472,535**
Amortisation	
At 1 January 2018	(225,524)
Charge for the year	(71,287)
Release on disposal	27,605
At 31 December 2018	(269,206)
Net book value	
At 31 December 2018	**203,329**

The Company had no intangible assets as at 31 December 2019 (2018: nil).

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Machinery and equipment	Assets under construction	Total
	Eur	Eur	Eur	Eur
Cost/revaluation				
At 1 January 2019	39,312,188	7,066,722	-	46,378,910
Additions	29,918	343,734	422,166	795,818
Disposals	(4,696,856)	(771,134)	-	(5,467,990)
Revaluation	1,622,315	-	-	1,622,315
Effect of foreign exchange	90,869	(17,085)	-	73,784
*Transfer	(581,282)	-	-	(581,282)
At 31 December 2019	35,777,152	6,622,237	422,166	42,821,555
Depreciation				
At 1 January 2019	-	(3,759,498)	-	(3,759,498)
Depreciation charge for the year	(587,209)	(539,673)	-	(1,126,882)
Depreciation released on disposal	-	77,184	-	77,184
Effect of foreign exchange	5,927	32,957	-	38,884
*Transfer	581,282	-	-	581,282
At 31 December 2019	-	(4,189,030)	-	(4,189,030)
Net book values				
At 31 December 2019	**35,777,152**	**2,433,207**	**422,166**	**38,632,525**

The Group's land and buildings were revalued by independent professional qualified valuers. The surplus on revaluation was transferred to the revaluation reserve. Note 14.1 provides detailed information regarding the key assumptions used in performing such revaluation.

The carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR24,157,631 (2018: EUR28,385,225).

*This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount for the revalued assets.

13. PROPERTY, PLANT AND EQUIPMENT - continued

GROUP	Land and buildings Eur	Machinery and equipment Eur	Assets under construction Eur	Total Eur
Cost/revaluation				
At 1 January 2018	25,875,950	4,980,186	10,583,735	41,439,871
Additions	702,524	2,232,325	765,516	3,700,365
Disposals	-	(19,196)	(773,071)	(792,267)
Reclassification	10,287,546	-	(10,287,546)	-
Revaluation	3,260,358	-	-	3,260,358
Effect of foreign exchange	(335,770)	(126,593)	(288,634)	(750,997)
*Transfer	(478,420)	-	-	(478,420)
At 31 December 2018	39,312,188	7,066,722	-	46,378,910
Depreciation				
At 1 January 2018	-	(3,273,483)	-	(3,273,483)
Depreciation charge for the year	(483,575)	(671,978)	-	(1,155,553)
Depreciation released on disposal	-	19,196	-	19,196
Effect of foreign exchange	5,155	166,767	-	171,922
*Transfer	478,420	-	-	478,420
At 31 December 2018	-	(3,759,498)	-	(3,759,498)
Net book values				
At 31 December 2018	**39,312,188**	**3,307,224**	**-**	**42,619,412**

*This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount for the revalued assets.

13. PROPERTY, PLANT AND EQUIPMENT - continued

HOLDING COMPANY	Motor vehicle Eur	Computer equipment Eur	Other assets Eur	Total Eur
Cost				
At 1 January 2019	**115,699**	**6,088**	**2,950**	**124,737**
Additions	**-**	**15,606**	**-**	**15,606**
At 31 December 2019	**115,699**	**21,694**	**2,950**	**140,343**
Accumulated depreciation				
At 1 January 2019	**(55,420)**	**(2,453)**	**(590)**	**(58,463)**
Depreciation charge	**(23,140)**	**(5,422)**	**(295)**	**(28,857)**
At 31 December 2019	**(78,560)**	**(7,875)**	**(885)**	**(87,320)**
Net book values				
At 31 December 2019	**37,139**	**13,819**	**2,065**	**53,023**
Cost				
At 1 January 2018	80,699	3,723	2,950	87,372
Additions	35,000	2,365	-	37,365
At 31 December 2018	115,699	6,088	2,950	124,737
Accumulated depreciation				
At 1 January 2018	(32,280)	(931)	(295)	(33,506)
Depreciation charge	(23,140)	(1,522)	(295)	(24,957)
At 31 December 2018	(55,420)	(2,453)	(590)	(58,463)
Net book values				
At 31 December 2018	**60,279**	**3,635**	**2,360**	**66,274**

14. INVESTMENT PROPERTY

GROUP

	2019	2018
	Eur	Eur
As at 1 January	**17,440,951**	16,655,236
Additions	**447,854**	650,727
Disposals	**(760,528)**	(12,597)
Revaluation	**422,557**	210,369
Effect of foreign exchange	**130,040**	(62,784)
As at 31 December	**17,680,874**	17,440,951

14.1 Valuation process

The Group's land and buildings are classified as either property, plant and equipment or investment property depending on their intended use. Land and buildings are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with international valuations standards and professional practice.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses any property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer, as necessary.

For all properties, their current use equates to the highest and best use.

The investment properties held are still in their development stage, and thus no income is being derived from such.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group's property has been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 28.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

14. INVESTMENT PROPERTY - continued

14.1 Valuation process – continued

Description of valuation techniques used and key inputs to valuation of lands and buildings and investment properties

The valuation was determined by a combination of the income approach (discounted projected cash flows) and the asset-based approach with reference to market prices based on database of valuations and sales of properties in the relevant area, as applicable.

	Valuation technique	**Significant Unobservable Inputs**	**Range**	**Narrative Sensitivity**
Land and Building	Asset Based	Price per Square metre	EUR2,651 to EUR7,970/sqm	The higher the price per sqm, the higher the fair value
	Income Approach	Discount rate	6.25% - 7.75%	The higher the discount rate, the lower the fair value
Investment Property	Asset Based	Price per Square metre	EUR732 to EUR2,466/sqm	The higher the price per sqm, the higher the fair value
	Income Approach	Discount rate	5% - 6.25%	The higher the discount rate, the lower the fair value

15. LOANS AND OTHER RECEIVABLES: NON-CURRENT

	Group		**Holding Company**	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
Amounts owed by the ultimate beneficial owner (Note i)	**342,162**	635,431	**-**	-
Amounts owed by parent company (Note ii)	**4,924,166**	5,750,000	**-**	-
Amounts owed by group companies (Note ii)	**-**	-	**5,651,043**	942,678
Amounts owed by associates (Note iii)	**2,742,621**	2,146,117	**917,621**	320,517
Amounts owed by third parties (Note iv)	**2,632,828**	2,699,878	**41,000**	-
Prepayments	**-**	302,463	**-**	-
	10,641,777	11,533,889	**6,609,664**	1,263,195

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.

15. LOANS AND OTHER RECEIVABLES: NON-CURRENT - continued

ii. The amounts owed by parent and group companies are unsecured, subject to interest rates ranging between 4.4% and 8% per annum and are not repayable within twelve months from the end of reporting period. The Company's amounts owed by group companies as at 31 December 2019 are shown net of provision for impairment of financial assets amounting to EUR1,992,467 (2018: EUR1,079,716) (Note 28).

iii. The amounts owed by associates and other related companies are unsecured, subject to interest rates ranging between 2.95% and 7.5% per annum and are not repayable within twelve months from the end of reporting period. The Group and the Company's amounts owed by associates as at 31 December 2018 were stated net of provision for impairment of financial assets amounting to EUR650,000 (Note 28).

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.

16. INVESTMENT IN SUBSIDIARIES

HOLDING COMPANY

	2019	2018
	Eur	Eur
At fair value		
At beginning of the year	**18,714,216**	19,299,148
Additions	**377,314**	1
Disposals	**-**	(9,999)
Fair value movement	**181,642**	(574,934)
Other	**(175,600)**	-
	19,097,572	18,714,216

Fair value of investments in subsidiaries

The Company accounts for its investments in subsidiaries at fair value. It 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 Company's investment in subsidiaries has been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 28.

	2019	2018
	Eur	Eur
Discounted cash flow approach	**11,692,520**	9,596,573
Asset-based approach	**7,405,052**	9,117,643
	19,097,572	18,714,216

16. INVESTMENT IN SUBSIDIARIES - continued

Discounted cash-flow approach
Management performs an annual budgeting exercise updating each hotel's projected performance to reflect actual results and external market factors. A discount rate of 10%, and a capitalisation rate of between 8% and 10%, have been used for the operations being valued. The higher the discount rate, the lower the fair value; the higher the capitalisation rate, the lower the fair value.

Asset-based approach
Valuations from professionally qualified architects or surveyors, on the basis of assessments in accordance with international valuations standards and professional practice, including market data at the valuation date, are reflected for the operations being valued (Note 14.1).

Subsidiary undertakings	Principal Activity	Registered or Principal Office	Class	Shares held Proportion	Valuation Technique
IBB Hotel Erfurt GmbH & Co. KG	Dormant Company	Berlin, Germany	Ordinary	89.96%	Asset Based
Von der Heyden Group Finance p.l.c.	Finance Company	Gzira, Malta	Ordinary	100.00%	Asset Based
Andersia Tower Hotel Management Sp. z o.o.	Hotel Operator	Poznan, Poland	Ordinary	73.61%	DCF
First Polish Real Estate B.V.	Holding Company	Amsterdam, The Netherlands	Ordinary	53.45%	Asset Based
Lublin Grand Hotel Management Sp. z o.o.	Hotel Operator	Lublin, Poland	Ordinary	74.77%	DCF
Lublin Grand Hotel Sp. z o.o.	Hotel Owner	Lublin, Poland	Ordinary	75.00%	Asset Based
Nowy Swiat 5 Sp. z o.o.	Property Owner	Warsaw, Poland	Ordinary	100.00%	Asset Based
Von der Heyden Development Sp. z o.o.	Management Company	Warsaw, Poland	Ordinary	100.00%	DCF
Von der Heyden & Partners Sp. z o.o.	Property Owner	Warsaw, Poland	Ordinary	99.88%	Asset Based
IBB Hotel Collection Holding S.L.	Holding Company	Menorca, Spain	Ordinary	99.59%	DCF
Timan Investments Espana S.L.	Hotel Owner/Operator	Menorca, Spain	Ordinary	100.00%	Asset Based
Urbelia Business S.L.	Petrol station operator	Madrid, Spain	Ordinary	69.00%	Asset Based
Asset Management Company Von Der Heyden Group	Asset Management Company	Ukraine, Kiev	Ordinary	100.00%	Asset Based

16. 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 Eur**	**Profit/(loss) for the year Eur**
Andersia Tower Hotel Management Sp. z o.o. (audited)	405,385	(83,316)
First Polish Real Estate B.V. (unaudited)	6,101,458	(539,066)
IBB Hotel Collection Holding S.L. (audited)	1,365,597	(28,504)
IBB Hotel Erfurt GmbH & Co. KG (unaudited)	279,155	(1,167)
Lublin Grand Hotel Management Sp. z o.o. (audited)	(873,207)	(226,647)
Lublin Grand Hotel Sp. z o.o. (audited)	3,652,298	280,618
Nowy Swiat 5 Sp. z o.o. (unaudited)	(1,522,352)	(355,470)
Timan Investments Espana S.L. (audited)	(2,351,411)	(373,272)
Urbelia Business S.L. (unaudited)	(141,139)	(104,734)
Von der Heyden & Partners Sp. z o.o. (unaudited)	(1,265,525)	(48,397)
Von der Heyden Development Sp. z o.o. (unaudited)	(538,436)	(1,016,383)
Von der Heyden Group Finance p.l.c. (audited)	270,347	191,813
Asset Management Company Von Der Heyden Group (unaudited)	325,373	(51,942)

17. INVESTMENT IN ASSOCIATES

	Group		**Holding company**	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
At equity method/fair value				
At beginning of the year	**21,520,133**	3,652,646	**21,509,766**	3,905,838
Additions	**9,250**	-	**9,250**	-
Share of results of associates	**3,145,142**	17,867,487	**-**	-
Fair value movement	**-**	-	**3,414,338**	17,603,928
	24,674,525	21,520,133	**24,933,354**	21,509,766

Fair value of investments in associates

The Company accounts for its investments in associates at fair value using the asset-based approach. The Company’s investment in associates has been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 28.

Valuations from professionally qualified architects or surveyors, on the basis of assessments in accordance with international valuations standards and professional practice, including market data at the valuation date, are reflected for the operations being valued (for valuation technique on asset-based approach refer to Note 14.1).

17. INVESTMENT IN ASSOCIATES - continued

Fair value of investments in associates - continued

Associate undertakings	Principal Activity	Registered of principal office	Class	Proportion* 2019	Proportion* 2018
Bogenhausener Tor Immobilien GmbH	Tower Project owner	Munich, Germany	Ordinary	**37.75%**	**38.50%**
KASA Investments GmbH	Residential project	Grunwald, Germany	Ordinary	**49.58%**	**49.58%**
IBB Hammetts Operations Limited	Restaurant operator	Gzira, Malta	Ordinary	**50.00%**	**50.00%**
Plaza Explanada S.L.	Cafeteria owner/operator	Menorca, Spain	Ordinary	**50.00%**	**50.00%**
Mimie Reed International Ltd	Retail/Fashion	Gzira, Malta	Ordinary	**40.00%**	**-**
DGDV Capital, LDA	Residential project	Alfanzina – Carvoeiro, Portugal	Ordinary	**25.00%**	**-**
Von der Heyden Group Real Estate Services Srl	Real Estate Agency	Arzachena, loc. Mirialvera, Sardinia	Ordinary	**50.00%**	**-**

*This is the legal shareholding, whilst the Group's carrying amount is measured at the effective shareholding.

During 2019 the Company invested in three new companies.

DGDV Capital, LDA has a 5,000sqm residential project in Lagoa, Algarve, Portugal, consisting of 32 apartments and 4 townhouses. Total development costs are projected at EUR 5.3m, with future expected sales proceeds of EUR 6.5m.

Von der Heyden Group Real Estate Services Srl is engaged in the running of an agency that provides expert perspective and bespoke brokerage service to property owners and buyers in Sardinia, Italy.

Mimie Reed International is a newly set up company with the intention to produce branded ecological swimwear. Production is expected by mid-2020.

17. INVESTMENT IN ASSOCIATES - continued

Associate undertakings - 2019	**Bogenhausener Tor Immobilien GmbH**	**KASA Investments GmbH**	**IBB Hammets Operations Limited**	**Plaza Explanada S.L.**	**DGDV Capital Unipessoal**	**Mimie Reed International Ltd**	**VDHGRES**	**Total**
Revenue	64,882,935	144,197	2,549,124	42,775	-	-	-	67,619,031
Profit after tax	59,106,005	(58,365)	(56,268)	19,783	(20,940)	(6,233)	(7,648)	58,976,334
Other comprehensive Income	-	-	-	-	-	-	-	-
Total comprehensive Income	**59,106,005**	**(58,365)**	**(56,268)**	**19,783**	**(20,940)**	**(6,233)**	**(7,648)**	**58,976,334**
Current assets	18,516,434	1,879,101	333,802	7,519	828,000	10,000	10,000	21,584,856
Non-current assets	258,524,160	685,001	696,045	689,824	-	-	-	260,595,030
Current liabilities	160,723,077	396,058	650,000	38,636	27,889	6,233	-	161,841,893
Non-current liabilities	17,455,250	2,898,297	630,220	100,189	822,001	-	7,648	21,913,605
Equity	**98,862,267**	**(730,253)**	**(250,373)**	**558,518**	**(21,890)**	**3,767**	**2,352**	**98,424,388**
Group's carrying amount of the investments	**24,392,583**	**-**	**-**	**279,259**	**-**	**1,507**	**1,176**	**24,674,525**
Unrecognised share of losses	**-**	**(362,059)**	**(125,187)**	**-**	**(5,473)**	**-**	**-**	**(492,719)**

17. INVESTMENT IN ASSOCIATES - continued

Associate undertakings - 2018	**Bogenhausener Tor Immobilien GmbH**	**KASA Investments GmbH**	**IBB Hammets Operations Limited**	**Plaza Explanada S.L.**	**Nowy Swiat 5 Sp z o.o.**	**Total**
Revenue	19,713,263	957,813	2,072,917	47,100	16,997	22,808,090
Profit after tax	(12,454,221)	(284,948)	(115,703)	27,186	(628,506)	(13,456,192)
Other comprehensive Income	82,014,994	-	-	-	23,938	82,038,932
Total comprehensive Income	**69,560,773**	**(284,948)**	**(115,703)**	**27,186**	**(604,568)**	**68,582,740**
Current assets	64,897,590	2,131,793	71,701	21,466	-	67,122,550
Non-current assets	187,002,034	1,503,000	753,532	715,961	-	189,974,527
Current liabilities	154,399,133	1,319,833	334,871	74,096	-	156,127,933
Non-current liabilities	14,757,098	2,721,678	690,625	98,094	-	18,267,495
Equity	**82,743,393**	**(406,718)**	**(200,263)**	**565,237**	**-**	**82,701,649**
Group's carrying amount of the investments	**21,237,515**	**-**	**-**	**282,618**	**-**	**21,520,133**
Unrecognised share of losses	**-**	**(201,651)**	**(100,132)**	**-**	**-**	**(301,783)**

18. OTHER FINANCIAL ASSETS

GROUP

	2019 Eur	2018 Eur
At cost		
At beginning of the year	**205,438**	272,095
Reclassification to investment in subsidiary (Note 17)	**-**	(69,000)
Net additions	**14,933**	2,343
	220,371	205,438

Other financial assets are non-consolidated immaterial subsidiaries not traded in active markets and recognised at cost.

19. INVENTORIES

GROUP

	2019 Eur	2018 Eur
Materials	**77,373**	91,782
Work in progress	**-**	-
Finished goods	**67,950**	64,270
	145,323	156,052

The Company had no inventories as at 31 December 2019 (2018: Nil).

20. TRADE AND OTHER RECEIVABLES

	Group		Holding Company	
	2019 **Eur**	2018 Eur	**2019** **Eur**	2018 Eur
Trade receivables from third parties (Note i)	**588,796**	756,978	**4,818**	4,818
Trade receivables from other related companies (Note i)	**98,556**	1,131	**-**	-
Amounts owed by Directors (Note ii)	**30,000**	20,000	**30,000**	20,000
Amounts owed by ultimate beneficial owner (Note iii)	**457,268**	192,418	**65,030**	160,000
Amounts owed by parent company (Note iv)	**500**	71,500	**-**	-
Amounts owed by group companies (Note iv)	**-**	-	**661,178**	5,012,942
Amounts owed by associate companies (Note iv)	**472,384**	5,115,194	**478,384**	4,967,168
Amounts owed by other related companies (Note iv)	**2,414,063**	266	**2,300,000**	-
Amounts owed by third parties (Note v)	**1,586,882**	2,177,094	**1,506,998**	2,023,089
Advance payments to suppliers/deposits	**334,676**	8,526	**-**	-
Other receivables	**430,538**	249,391	**-**	1,915
Prepayments	**183,409**	243,681	**124**	175
VAT receivable	**403,618**	296,558	**-**	-
Accrued interest	**259,656**	222,639	**-**	-
	7,260,346	9,355,376	**5,046,532**	12,190,107

Trade and other receivables of the Group and the Company are stated net of loss allowance under IFRS 9 as at 31 December 2019 amounting to EUR88,032 and EUR40,177 respectively (2018: EUR150,881 and EUR81,580 respectively) (Note 28).

i. No interest is charged on trade and other receivables. As at 31 December, the ageing analysis of trade receivables is as follows:

20. TRADE AND OTHER RECEIVABLES - continued

GROUP

	Total Eur	0-30 days Eur	30-60 days Eur	61-90 days Eur	over 90 days Eur
2019	**687,352**	**327,561**	167,838	29,527	162,426
2018	758,109	705,762	23,936	6,947	21,464

HOLDING COMPANY

	Total Eur	0-30 days Eur	30-60 days Eur	61-90 days Eur	over 90 days Eur
2019	**4,818**	**-**	**-**	**-**	**4,818**
2018	4,818	-	-	-	4,818

ii. The amounts owed by directors 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, associates and other related companies are unsecured and subject to interest rate ranging between 4.5% to 8%. The amounts are repayable on demand. The Group and the Company's amounts owed by associates are stated net of provision for impairment of financial assets amounting to EUR153,335 (2018: EUR148,429) (Note 28).

v. The amounts owed by third parties are unsecured, interest free and are repayable on demand. The Group and the Company's amounts owed by third parties are stated net of provision for impairment of financial assets amounting to EUR111,301 (2018: EUR106,301) (Note 28).

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances 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		Holding Company	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
Cash at bank	**6,272,741**	3,754,939	**163,759**	241,481
Cash on hand	**45,460**	47,665	**-**	-
	6,318,201	3,802,604	**163,759**	241,481

The cash and cash equivalents of the Company include a bank account of EUR15,028 pledged as collateral against the Company's credit card facility.

22. SHARE CAPITAL AND SHARE PREMIUM

	2019 Eur	2018 Eur
Authorised:		
20,000,000 Ordinary A shares of EUR1 each	**20,000,000**	20,000,000
30,000,000 Ordinary B shares of EUR1 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 EUR1 each, 100% paid up	**3,249,924**	3,249,924
554,717 Ordinary B shares of EUR1 each, 100% paid up	**554,717**	554,717
	3,804,641	3,804,641

The Ordinary A shares and Ordinary B shares rank pari-passu.

Share premium

The share premium arising on the issue of shares for the Group and the Company is equal to EUR4,445,283 (2018: EUR4,445,283).

23. RESERVES

Other reserves

The Group's other reserves is mainly composed of a revaluation reserve of EUR6,207,065 (2018: EUR6,010,166) and capital reserve of EUR235,023 (2018: EUR235,023).

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 Group's capital reserve mainly relates to distributable reserves of certain subsidiary companies.

Retained earnings

The reserve represents accumulated retained profits that are available for distribution to the Group's and the Company's shareholders. A reclassification between retained earnings and non-controlling interest was required to reflect the amounts attributable to the shareholder of the parent and the residual interest in subsidiaries not attributable to the parent, in accordance with the contractual arrangements as at 31 December 2019.

Currency translation reserve

The Group's reserve comprises foreign currency differences arising from the translation of the results and financial position of the Group entities that have a functional currency different from the presentation currency.

24. DIVIDEND DECLARED

	Group		Holding Company	
	2019 EUR	2018 EUR	**2019 EUR**	2018 EUR
Dividend	-	6,000,000	**-**	6,000,000

No dividend has been declared by the Company to its ordinary shareholders for the year ended 31 December 2019. During the year ended 31 December 2018, the Company declared a net dividend of EUR6,000,000 to its ordinary shareholders, equivalent to EUR1.5770 per ordinary share.

25. BORROWINGS

	Group		Holding Company	
	2019 EUR	2018 EUR	**2019 EUR**	2018 EUR
Non-current				
Lease Liabilities (Note vi)	**38,594,737**	-	**-**	-
Bank borrowings (Note i)	**11,484,256**	13,025,203	**-**	-
Loans from parent company (Note ii)	**225,000**	225,000	**-**	-
Loans from group companies (Note ii)	**-**	-	**993,750**	-
Loans from associates (Note ii)	**-**	930,000	**-**	930,000
Loans from other related companies (Note ii)	**2,006,950**	612,088	**-**	-
Loans from third parties (Note iii)	**2,223,736**	2,776,243	**2,295,233**	2,810,192
4.4% Bonds redeemable (Note v)	**24,833,480**	24,791,849	-	-
Other borrowings	**91,198**	1,226	-	-
Amounts owed to shareholders (Note iv)	**186,112**	1,686,379	-	-
	79,645,469	44,047,988	**3,288,983**	3,740,192
Current				
Lease Liabilities (Note vi)	**3,283,704**	-	**-**	
Bank borrowings (Note i)	**6,150,248**	6,141,196	**-**	-
Loans from parent company (Note ii)	**75,000**	1,658,382	**75,000**	1,658,382
Loans from group companies (Note ii)	-	-	**2,425,010**	2,902,604
Loans from associates (Note ii)	**3,396,964**	-	**3,396,964**	-
Loans from other related companies (Note ii)	**245,928**	460,587	**-**	-
Loans from third parties (Note iii)	**764,297**	1,025,385	**731,798**	1,019,785
Amounts owed to ultimate beneficial owner (Note iv)	-	60,072	**-**	-
Other borrowings	**50,920**	-	**-**	-
	13,967,061	9,345,622	**6,628,772**	5,580,771

25. BORROWINGS - CONTINUED

Repayment terms of non-current borrowings:

	Group		Holding Company	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
Repayable between one and two years	**8,430,609**	4,348,148	**993,750**	-
Repayable between two and five years	**32,601,669**	7,260,068	**2,295,233**	-
Repayable in five years or more	**38,613,191**	32,439,772	**-**	3,740,192
	79,645,469	44,047,988	**3,288,983**	3,740,192

i. The bank borrowings are pledged by special hypothecs on the properties and bear variable 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.

   One of the subsidiaries of the Group has a financial covenant requirement to maintain a minimum Debt Service Cover Ratio of 1.4. As at 31 December 2019, the ratio was slightly below the minimum. The outstanding loan of EUR5.4m is classified as current also in view of its maturity date. Negotiations are ongoing with the bank to renew this facility.

ii. The loans from parent company, group companies, associates and other related companies are unsecured, bear interest at rates ranging from 4.4% to 7.5% per annum. Loans mature on dates ranging from 31 December 2020 to 31 August 2023.

iii. The loans from third parties are unsecured, bear interest at rates ranging from 2.98% to 6% per annum.

iv. The amounts owed to ultimate beneficial owner and shareholders are unsecured, bear interest at rates ranging from 5% to 7.5% per annum.

v. During 2017, a subsidiary company issued an aggregate principal amount of EUR25 million Bonds (2017 – 2024), having a nominal value of EUR1,000 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 2019 for the 4.4% Bonds (2017 – 2024) was 100.25 (2018: 102.48).

   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 undertaken by the subsidiary under the Bonds if it fails to do so. Also, the Company has provided a corporate guarantee in favour of Von der Heyden Group Finance P.L.C. (VDHGF) to affect the due and punctual performance of all the payment obligations undertaken by the related party borrowers under VDHGF's loans if the said borrowers fail to do so.

   The bank borrowings available to the subsidiaries are secured by assets owned by subsidiaries and have no recourse to the Company.

25. BORROWINGS – CONTINUED

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

	2019 Eur	2018 Eur
Proceeds	**25,000,000**	25,000,000
Less:		
Issue costs	**283,535**	283,535
Accumulated amortisation	**(117,015)**	(75,384)
	166,520	208,151
	24,833,480	24,791,849

vi. The Group holds leases which were discounted at incremental borrowing rates ranging from 2.69% to 4.53%. The weighted average rate applied is 3.47%. As a result of initially applying IFRS16, in relation to the leases that were previously recognised as operating leases, the Group recognised a EUR44,981,488 right-of use-asset and a finance lease liability of the same amount as at 1st January 2019. During the year the Group recognised a right-of use-asset depreciation charge of EUR3,814,478 and EUR1,496,396 in leases' interest costs.

26. TRADE AND OTHER PAYABLES

	Group		Holding Company	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
Trade payables to third parties	**2,112,487**	2,325,640	**17,247**	749
Trade payables to associates	**52,506**	61,696	**-**	-
Trade payables to other related companies	**200,042**	1,078,467	**-**	-
Other taxes and social security costs	**289,659**	139,851	**-**	-
Advance payments received from customers (Note ii)	**436,102**	296,820	**-**	-
Other payables	**582,994**	177,310	**-**	-
Accruals	**705,935**	538,143	**53,805**	29,999
VAT payable	**442,232**	56,644	**-**	-
Amounts owed to third parties	**987,350**	1,058,578	**-**	-
Amounts owed to group companies (Note i)	**-**	-	**230,890**	194,264
Amounts owed to associates (Note i)	**56,817**	-	**196,317**	69,750
Amounts owed to parent company (Note i)	**13,418**	-	**998**	-
Amounts owed to ultimate beneficial owner (Note i)	**50,040**	58,890	**12,752**	24,800
Amounts owed to other related companies (Note i)	**139,500**	873	**-**	874,051
	6,069,082	5,792,912	**512,009**	1,193,613

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

ii. Advance payment received from customers represent contract liabilities which will be recognized as revenue in proportion to the pattern of rights exercised by the customer. The amount of EUR296,280 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the year ended 31 December 2019.

27. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company and the ultimate beneficial owner, the Company's subsidiaries and all other parties forming part of the Group of which the Company is the parent, and key management personnel. 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.

	2019	2018
	Eur	Eur
Transactions with parent company:		
Interest income	**246,175**	587,446
Interest expense	**14,415**	121,000
Transactions with other related parties:		
Interest income	**327,854**	557,410
Interest expense	**159,968**	72,799
Transactions with ultimate beneficial owner:		
Interest income	**16,070**	17,126
Interest expense	**99,142**	1,364

HOLDING COMPANY

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

	2019	2018
	Eur	Eur
Transactions with group companies:		
Operating expenses	**70,395**	828,970
Interest income	**191,310**	113,892
Interest expense	**185,667**	145,274
Transactions with ultimate beneficial owner:		
Interest income	**-**	-
Interest expense	**-**	-
Transactions with other related parties:		
Interest income	**133,652**	313,967
Interest expense	**126,567**	69,750

Key management compensation

	Group		**Holding Company**	
	2019	2018	**2019**	2018
	EUR	EUR	**EUR**	EUR
Directors' fee and remuneration (Note 6)	**1,917,320**	839,049	**104,905**	60,894

28. FINANCIAL INSTRUMENTS

At the year end, the Group's and the Company'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 Group's and the Company'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 Group's and 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 statements of financial position is intended to indicate the timing in which cash flows will arise.

Capital risk management

The Group and the Company 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 Group's and the Company's strategies are expected to remain unchanged in the foreseeable future.

The capital structure of the Group and the Company consists of debt, which includes the borrowings as disclosed in Note 25, and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings as disclosed in Notes 22 and 23 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 Group and the Company to concentrations of credit risk consist principally of loans and borrowings, trade and other receivables and cash and cash equivalents.

Cash and cash Equivalents

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.

Trade and other receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. Outstanding customer receivables are regularly monitored and significantly dispersed in nature with no significant concentration of risk being in existence. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customers with similar loss patterns (i.e. by geographical region or customer type). The analysis did not result in material amounts and the Group did not recognise any impairment allowance on trade receivables.

28. FINANCIAL INSTRUMENTS – continued

Loans and other receivables

Allowances on loans and other receivables as at the reporting date amounted to EUR352,669. An impairment has been made where significant deterioration of credit risk has been identified. 12 months ECL has been derived by reference to average industry ratings derived from reputable rating agencies.

The Group's maximum exposure to credit risk for the component of the consolidated statement of financial position at 31 December 2019 and 2018 is represented by the carrying amount of each financial asset, as disclosed in Notes 15, 20 and 21. The maximum exposure for the Company is further increased by EUR20,005,251 in respect of the guarantee given to VDHGF disclosed in Note 25.

The table below analyses the Group's and the Company's allowance for expected credit losses as at the reporting date:

Group		**2019**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	15	10,641,777	
Trade and other receivables	20	7,613,014	
		18,254,791	
12-month ECL		16,639,528	88,032
Life time ECL		1,350,626	-
Impairment		264,637	264,637
	15, 20	**18,254,791**	**352,669**
Cash		6,318,201	
Total allowance for ECL 31 December 2019			352,669
Movement			702,942
Total allowance for ECL 1 January 2019			**1,055,611**

28. FINANCIAL INSTRUMENTS – continued

Credit risk - continued

Loans and receivables – continued

Group		**2018**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	15	11,231,426	
Trade and other receivables	20	9,517,306	
		20,748,732	
12-month ECL		18,566,696	150,881
Life time ECL		1,277,306	-
Impairment		904,730	904,730
	15,20	**20,748,732**	**1,055,611**
Cash		3,802,604	-
Total allowance for ECL 31 December 2018			1,055,611
Movement			(872,017)
Total allowance for ECL 1 January 2018			**183,594**

Holding Company		**2019**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	15	8,602,131	
Trade and other receivables	20	5,351,345	
		13,953,476	
12-month ECL		11,691,554	40,177
Life time ECL		4,818	-
Impairment		2,257,104	2,257,104
		13,953,476	**2,297,281**
Cash		163,759	
Guaranteed amounts			
Loan and other receivables		20,005,251	-
Total allowance for ECL 31 December 2019			**2,297,281**
Movement			(231,255)
Total allowance for ECL 1 January 2019			**2,066,026**

28. FINANCIAL INSTRUMENTS – continued

Holding Company		**2018**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	15	2,992,911	
Trade and other receivables	20	12,526,242	
		15,519,153	
12-month ECL		14,179,889	81,580
Life time ECL		4,818	
Impairment		1,334,446	1,334,446
		15,519,153	**1,416,026**
Cash		241,481	-
Guaranteed amounts			
Loan and other receivables		22,013,178	650,000
Total allowance for ECL 31 December 2018			**2,066,026**
Movement			(1,961,302)
Total allowance for ECL 1 January 2018			**104,724**

Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bond proceeds, bank loans, lease contracts and bank overdrafts. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 12% of the Group's debt will mature in less than one year at 31 December 2020 (2018: 11%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

28. FINANCIAL INSTRUMENTS – continued

Liquidity – continued

Year ended 31 December 2019	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**	**Eur**
Interest-bearing loans and borrowings (excluding items below)	-	93,832	11,158,854	34,742,080	10,947,263	56,942,029
Lease liabilities (Note 29)	-	1,190,565	3,571,693	19,714,674	41,550,051	66,026,983
Other financial liabilities	-	-	126,008	247,942	130,000	503,950
Trade and other payables	1,171,442	1,775,420	3,494,370	133,273	174	6,574,679
	1,171,442	**3,059,817**	**18,350,925**	**54,837,969**	**52,627,488**	**130,047,641**

Year ended 31 December 2018	**On Demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**	**Eur**
Interest-bearing loans and borrowings (excluding items below)	41,944	168,900	14,345,263	46,700,822	680,230	61,937,159
Other financial liabilities	648	54,334	52,484	76,550	130,006	314,022
Trade and other payables	863,475	483,325	2,027,097	-	-	3,373,897
	906,067	**706,559**	**16,424,844**	**46,777,372**	**810,236**	**65,625,078**

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

28. FINANCIAL INSTRUMENTS – continued

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 currency giving rise to this risk is the Polish Zloty (PLN), upon translation of the results of the subsidiaries into 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.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Polish Zloty, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Change in PLN rate	Effect on other comprehensive income Eur '000
2019	+5%	(784)
	-5%	850
2018	+5%	(794)
	-5%	878

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. The interest rates on the borrowings are disclosed in Note 25.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, with all other variables held constant, of the Group's profit before tax.

	Increase/decrease in basis points	Effect on profit before tax Eur '000
2019	+100	(176)
	-50	88
2018	+100	(192)
	-50	96

28. FINANCIAL INSTRUMENTS – continued

Fair values

The Group and the Company measure 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 instrument's 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 2019 and 2018, all financial assets measured at fair value were based on level 3 inputs.

Fair value information is not presented for financial assets and financial liabilities which are not measured at fair value if their carrying amount is a reasonable approximation of fair value. As at 31 December 2019 and 2018, the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and current interest-bearing loans and borrowings approximated their fair values in view of the nature of the instruments or their short-term maturity. The fair value of non-current loans is not materially different from their carrying amounts particularly due to re-pricing. The fair values of non-current unsecured loans can be defined by reference to the quoted market price as disclosed in note 25.

29. LEASES

GROUP

In 2019, the Group had 11 ongoing lease contracts in respect of Hotels operated by the Group itself (2018:11).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Year ended 31 December 2019	**Land and Buildings Eur**
As at 1 January 2019	**44,981,488**
Additions	**-**
Depreciation expense (Note 5)	**(3,814,478)**
As at 31 December 2019	**41,167,010**

29. LEASES - continued

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	2019 Eur
As at 1 January	**44,981,488**
Additions	**-**
Accretion of interest	**1,496,396**
Payments	**(4,599,443)**
As at 31 December	**41,878,441**
Current (Note 25)	**3,283,704**
Non-current (Note 25)	**38,594,737**

The maturity analysis of the undiscounted lease liabilities is disclosed in Note 28.

The following are the amounts recognised in profit or loss:

	2019 Eur
Depreciation expense of right-of-use assets (Note 5)	**3,814,478**
Interest expense on lease liabilities (Note 9)	**1,496,396**
Variable lease payments (Note 5)	**510,657**
Expenses relating to short-term leases (Note 5)	**23,543**
Total amount recognised in profit or loss	**5,845,074**

The Group had total cash outflows for leases of EUR5,133,643 in 2019. The Group is party to an additional lease contract which has not yet commenced at year end. The future expected cash outflows relating to this lease amount to EUR12,600,000.

The Group has lease contract for Hotels that contain variable payments based on the revenue generated. The fixed element under these leases amounted to EUR2,585,900. A 5% increase in revenue for these Hotels would increase the total lease payments by 1.4%.

HOLDING COMPANY

The Company did not have financial commitments under non-cancellable operating leases for land and buildings and investment property.

30. BUSINESS ACQUISITION

Effective 20 September 2018, the Company acquired the remaining 50% share in Nowy Swiat 5 Sp z o.o. (Nowy), a previous associate of the Group, in which the Group held the other 50%. Nowy Swiat 5 Sp z o.o. holds a plot of land and is seeking to obtain permits in order to develop the property held.

The fair value of the identifiable assets and liabilities as at the date of acquisition were:

	Eur
Property	490,251
Other receivables	14,986
Cash and cash equivalents	3,532
	508,769
Trade and other payables	(143,674)
Long-term borrowings	(1,444,555)
Net liability value acquired	(1,079,460)
Consideration paid	(1)
Goodwill written-off upon acquisition	(1,079,461)

The fair value of the property held was determined through a valuation undertaken by independent accredited valuers utilizing the sales comparison approach. Goodwill arising was written-off upon conclusion of the transactions as this was not attributable to any particular asset, in view of the current operations of the Company.

31. SUBSEQUENT EVENTS

With the recent and rapid development of the COVID-19 outbreak, many countries have required entities to limit or suspend business operations whilst implementing travel restrictions and quarantine measures. These measures and policies have significantly disrupted the activities of many entities. The measures have seen IBB Group hotels, severely reduce operations or suspend operations altogether.

Whilst the potential issues that the COVID-19 could present are still evolving and the actual effects are difficult to comprehensively assess or predict, net proceeds received in January 2020 of EUR18 million from the sale of an office tower in Munich, in which the Group has a significant interest, has led to further enhancement of the liquidity position. Moreover the Group is in receipt of a promote fee for around EUR6.5 million relating to its role in the development of the same project. At the end of 2019 the Group had also sold a hotel in Menorca, Spain for net proceeds of EUR5 million.

The Group will continue to focus on the current real estate development projects whilst implementing a restructuring programme for the IBB Hotel Collection's portfolio of hotels in Germany, Spain, Poland and Malta and mitigate the negative effects of the COVID-19 outbreak.

Over the past weeks the hotel group management team has carried out detailed reviews of all the hotels, to identify various actions to mitigate the adverse financial effect of the outbreak. These actions include, amongst others, renegotiation with tenants and suppliers, revision of work practices and application for support schemes offered by governments in the countries in which the Group operates. These actions are currently in various stages of implementation in the different locations.

31. SUBSEQUENT EVENTS - continued

The Group has compiled cashflow projections under a stressed case scenario using adverse assumptions mainly considering an extended period of reduced or suspended hotel operations. Under this scenario the Group is expected to have sufficient liquidity to meet its obligations as they fall due.

The Group has plans to internally fund various investment opportunities in real estate and financial markets. The timing of these investments remains at the Group's discretion and this provides the flexibility to manage the cash flow and address further possible strains brought from the current volatile environment.

The Group considers the COVID-19 events as a non-adjusting event after the balance sheet date and therefore not reflected in the assets and liabilities of the Group and Company as at year end. The main assets measured at fair value that may be impacted by COVID-19 are the land and buildings (within Investment Property and Property, Plant and Equipment) of the Group and Investments in subsidiaries and associates of the Company. It is difficult to estimate the financial effect on these assets after the balance sheets date. Reference can be made to note 14 and note 16 disclosing the assumptions and inputs used in the fair value measurement of these assets.

Despite the challenges posed by COVID-19, the Directors believe that this could be an opportunity to restructure underperforming operations and seize investment opportunities. Based on the above considerations and the current prevailing circumstances, the Directors consider the capital and liquidity position of the Group to be adequate to absorb any foreseeable impact from COVID-19.

32. STATUTORY INFORMATION

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

The registered office of the company is 14 East, Level 8, Sliema Road, Gżira, GŻR 1639, Malta. The company status is that of a private company.

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 AUDITOR'S REPORT

to the Shareholders of Timan Investments Holdings Limited

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of Timan Investment Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), set on pages 6 to 66, which comprise the separate and consolidated statements of financial position as at 31 December 2019, and the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated 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 separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company as at 31 December 2019, and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of 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 of the Laws of 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

We draw attention to Note 31 to the financial statements, which describes the expected effect of COVID-19 on the Group's businesses. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Timan Investments Holdings Limited- continued

Report on the audit of the separate and consolidated financial statements - continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, 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.

Auditor's responsibilities for the audit of the financial statements

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

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Timan Investments Holdings Limited - continued

Report on the audit of the separate and consolidated financial statements - continued

Auditor's 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 and Group'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 and 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Timan Investments Holdings Limited - continued

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Group 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.

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

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

The partner in charge of the audit resulting in this independent auditor's report is Shawn Falzon for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

29 April 2020