Company Registration No. C 63335

TIMAN INVESTMENTS HOLDINGS LIMITED

Annual Report
and
Financial Statements

31 December 2018

CONTENTS

GENERAL INFORMATION

Registration

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

Directors

Sven von der Heyden
Javier Errejon Sainz de la Maza
Francis J. Vassallo
Antonio Fenech (appointed 13 February 2019)

Company Secretary

Adriana Camilleri Vassallo

Registered Office

14 East, Level 8
Sliema Road
Gzira, GZR 1639
Malta

Bankers of the Company

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

Auditors

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida, MSD 1751
Malta

DIRECTORS' REPORT

The directors submit their annual report and the financial statements for the year ended 31 December 2018.

Principal activity

Timan Investments Holdings Limited and its subsidiaries (the Group) is involved in real estate development, real estate leasing, hospitality, hotel management and travel business in Poland, Germany, Spain and Malta.

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 2018, the Group and the Company declared a net dividend of EUR6,000,000 to the ordinary shareholders, equivalent to EUR1.5770 per ordinary share. No dividend was declared by the Group and the Company for the year ended 31 December 2017.

Review of the business

For the year ended 31 December 2018, the Group registered a profit after tax of EUR13,128,910 (2017 restated loss: EUR1,025,181). The profit for the Company for the year after tax amounted to EUR14,225,162 (2017: EUR1,995,190).

During this financial year, the Group's results have been positively impacted by the financial results of Bogenhausener Tor Immobilien GmbH (BTI), an associated undertaking which is the developer of Bavaria Towers in Munich. The project consisting of four high-rise towers with circa 78,000 sqm. of total gross rental area and two underground car parks that can accommodate almost 1,000 vehicles has reached substantial completion. Furthermore, the Blue Tower, an 18 Level building with office rental area of some 24,500 sqm., which is co-owned by the Group has successfully pre-leased over 90% of the available rental space with negotiation on the limited available space in advanced negotiations with potential tenants. The share of profits generated from BTI as a result of property revaluation for the year ended 31 December 2018 amounted to EUR17,867,487.

During the year the Group's strategy proceeded with its expansion plans in its hotel chain, IBB Hotel Collection. The new IBB Hotel Dlugi Targ in Poznan, Poland opened doors for its first customers whilst three hotels that opened in 2017, two IBB hotels opened in Paderborn and Ingelheim Germany, and the Cugo Gran Macina Grand Harbour in Senglea, Malta had their first full year of operations.

Through its new operations the Group registered an increase in turnover of EUR4.5 million. This increase in revenue was mainly generated from IBB Hotel Collection. In line with the Group's continued expansion and its investment in Human Resources and improvements in operating procedures, it experienced an increase in cost of sales, staff costs and operating expense of EUR4.3 million.

The Group net interest expense at EUR1.4 million for 2018 (2017: EUR700 thousand).

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 30 in these financial statements.

DIRECTORS' REPORT - continued

Future developments

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

Events after the end of reporting period

Such events are disclosed in Note 33 to the financial statements concerning subsequent events.

Directors

During the year ended 31 December 2018, 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.

DIRECTORS' REPORT - continued

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	**Javier Errejon Sainz de la Maza**
Director	Director

16 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group	
		2018	2017 (restated)
	Notes	**EUR**	EUR
Revenue	5	**22,528,329**	19,030,609
Lease income		**1,313,703**	329,672
Other operating income		**329,722**	262,477
		24,171,754	19,622,758
Cost of sales	9	**(4,647,457)**	(3,913,910)
Staff costs	9	**(9,033,064)**	(7,192,561)
Depreciation and amortisation	9	**(1,226,840)**	(905,158)
Operating expenses	9	**(10,779,098)**	(9,083,582)
Operating loss		**(1,514,705)**	(1,472,453)
Allowance for expected credit losses	30	**(872,017)**	-
Other gains/(losses)	6	**(1,272,544)**	(690,963)
Fair value gain on investment property	15	**210,369**	105,537
Interest and other related income	7	**1,247,082**	1,088,516
Interest and other related expenses	8	**(2,671,372)**	(1,785,167)
Share of profit from associate		**17,867,487**	2,012,083
Profit/(loss) before tax		**12,994,300**	(742,447)
Income tax credit/(expense)	11	**134,610**	(282,734)
Profit/(loss) for the financial year		**13,128,910**	(1,025,181)
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		**(498,734)**	945,268
Other comprehensive income		**-**	45,168
		(498,734)	990,436
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	14	**3,048,734**	2,154,713
Total comprehensive income for the year		**15,678,910**	2,119,968
Profit/(loss) attributable to:			
Equity holders of the company		**13,225,512**	(726,748)
Non-controlling interest		**(96,602)**	(298,433)
		13,128,910	(1,025,181)
Total comprehensive income attributable to:			
Equity holders of the company		**15,558,340**	982,753
Non-controlling interest		**120,570**	1,137,215
		15,678,910	2,119,968

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

		Company	
	Notes	**2018 EUR**	2017 EUR
Other operating income		**82,333**	112,212
		82,333	112,212
Staff costs	9	**(264,328)**	(149,621)
Depreciation and amortisation	9	**(24,957)**	(17,366)
Operating expenses	9	**(334,984)**	(524,135)
Operating loss		**(541,936)**	(578,910)
Allowance for expected credit losses	30	**(1,961,302)**	-
Other gains/(losses)	6	**16,722,546**	2,328,169
Interest and other related income	7	**730,295**	751,080
Interest and other related expenses	8	**(672,063)**	(431,823)
Profit before tax		**14,277,540**	2,068,516
Income tax expense	11	**(52,378)**	(73,326)
Profit for the financial year		**14,225,162**	1,995,190
Other comprehensive income:			
Other comprehensive income		**(134)**	45,168
		(134)	45,168
Total comprehensive income for the year		**14,225,028**	2,040,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		
		2018	2017 (restated)	01.01.2017 (restated)
	Notes	**EUR**	EUR	EUR
ASSETS				
Non-current assets				
Intangible assets	13	**203,329**	112,996	67,684
Property, plant and equipment	14	**42,619,412**	38,166,388	31,011,661
Investment Property	15	**17,440,951**	16,655,236	16,154,399
Loans and other receivables	16	**11,533,889**	25,907,593	11,065,926
Investment in associates	18	**21,520,133**	3,652,646	1,615,564
Other financial assets	19	**205,438**	272,095	171,421
Deferred tax asset	12	**553,189**	1,239,810	1,395,890
		94,076,341	86,006,764	61,482,545
Current assets				
Inventories	20	**156,052**	179,933	127,176
Trade and other receivables	21	**9,355,376**	2,795,716	1,939,125
Current tax receivable		**95,174**	69,599	13,884
Cash and cash equivalents	22	**3,802,604**	6,906,858	2,942,505
		13,409,206	9,952,106	5,022,690
TOTAL ASSETS		**107,485,547**	95,958,870	66,505,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Notes	2018 EUR	2017 (restated) EUR	01.01.2017 (restated) EUR
		Group		
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	23	**3,804,641**	3,804,641	3,804,641
Share premium account	23	**4,445,283**	4,445,283	4,445,283
Other reserves	24	**6,245,189**	4,046,355	2,604,001
Currency translation reserve	24	**(649,051)**	(448,625)	(341,213)
Retained earnings	24	**13,661,376**	6,285,038	6,633,046
		27,507,438	18,132,692	17,145,758
Non-controlling interest		**17,401,539**	17,249,020	16,111,805
Total equity		**44,908,977**	35,381,712	33,257,563
Non-current liabilities				
Provisions for other liabilities and charges	27	**40,773**	29,150	13,051
Borrowings	26	**44,047,988**	44,496,654	18,505,105
Deferred tax liabilities	12	**3,243,999**	3,937,685	3,564,957
		47,332,760	48,463,489	22,083,113
Current liabilities				
Trade and other payables	28	**5,752,139**	4,866,189	3,187,949
Current tax payable		**146,049**	172,554	243,013
Borrowings	26	**9,345,622**	7,074,926	7,733,597
		15,243,810	12,113,669	11,164,559
Total liabilities		**62,576,570**	60,577,158	33,247,672
TOTAL EQUITY AND LIABILITIES		**107,485,547**	95,958,870	66,505,235

The financial statements on pages 6 to 69 have been authorised for issue by the directors on 16 May 2019.

Sven von der Heyden
Director

Javier Errejon Sainz de la Maza
Director

SEPARATE STATEMENT OF FINANCIAL POSITION

		Company	
	Notes	**2018 EUR**	2017 EUR
Non-current assets			
Property, plant and equipment	14	**66,274**	53,866
Loans and other receivables	16	**1,263,195**	17,457,128
Investment in subsidiaries	17	**18,714,216**	19,299,148
Investment in associates	18	**21,509,766**	3,905,838
		41,553,451	40,715,980
Current assets			
Trade and other receivables	21	**12,190,107**	2,585,224
Cash and cash equivalents	22	**241,481**	1,639,388
		12,431,588	4,224,612
TOTAL ASSETS		**53,985,039**	44,940,592

SEPARATE STATEMENT OF FINANCIAL POSITION – continued

		Company	
	Notes	**2018 EUR**	2017 EUR
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	**3,804,641**	3,804,641
Share premium account	23	**4,445,283**	4,445,283
Other reserves	24	**-**	134
Retained earnings	24	**35,096,296**	26,975,858
		43,346,220	35,225,916
Non-controlling interest		**-**	-
Total equity		**43,346,220**	35,225,916
Non-current liabilities			
Borrowings	26	**3,740,192**	9,179,508
Current liabilities			
Trade and other payables	28	**1,193,613**	242,489
Current tax payable		**124,243**	125,076
Borrowings	26	**5,580,771**	167,603
		6,898,627	535,168
Total liabilities		**10,638,819**	9,714,676
TOTAL EQUITY AND LIABILITIES		**53,985,039**	44,940,592

The financial statements on pages 6 to 69 have been authorised for issue by the directors on 16 May 2019.

Sven von der Heyden
Director

Javier Errejon Sainz de la Maza
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital EUR	Share premium EUR	Other reserves EUR	(Accumulated Losses)/ Retained earnings EUR	Currency translation reserve EUR	Non-controlling interest EUR	Total EUR
THE GROUP – as restated							
Financial year ended 31 December 2017							
Balance at 1 January 2017	3,804,641	4,445,283	8,313,150	(834,813)	1,148,654	14,888,051	31,764,966
Effect of prior year adjustment (note 2)	-	-	(5,709,149)	7,467,859	(1,489,867)	1,223,754	1,492,597
Balance at 1 January 2017 (restated)	3,804,641	4,445,283	2,604,001	6,633,046	(341,213)	16,111,805	33,257,563
Movement in other reserves	-	-	4,181	-	-	-	4,181
Transfer between reserves	-	-	-	(64,624)	64,624	-	-
Depreciation transfer for land and buildings net of tax	-	-	(443,364)	443,364	-	-	-
Loss for the financial year	-	-	-	(726,748)	-	(298,433)	(1,025,181)
Other comprehensive income	-	-	1,881,537	-	(172,036)	1,435,648	3,145,149
Total comprehensive income	-	-	1,881,537	(726,748)	(172,036)	1,137,215	2,119,968
Balance at 31 December 2017 (restated)	**3,804,641**	**4,445,283**	**4,046,355**	**6,285,038**	**(448,625)**	**17,249,020**	**35,381,712**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued

THE GROUP

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Currency translation reserve EUR	Non-controlling interest EUR	Total EUR
Financial year ended 31 December 2018							
Balance 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 at 1 January 2018 (restated)	3,804,641	4,445,283	4,046,355	6,101,444	(448,625)	17,249,020	35,198,118
Depreciation transfer for land and buildings net of tax	-	-	(334,420)	334,420	-	-	-
Additional investment in subsidiary by NCI	-	-	-	-	-	31,949	31,949
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	-	-	2,533,254	13,225,512	(200,426)	120,570	15,678,910
Dividend (Note 25)	-	-	-	(6,000,000)	-	-	(6,000,000)
Balance at 31 December 2018	**3,804,641**	**4,445,283**	**6,245,189**	**13,661,376**	**(649,051)**	**17,401,539**	**44,908,977**

SEPARATE STATEMENT OF CHANGES IN EQUITY

THE COMPANY	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Currency translation reserve EUR	Total EUR
Financial year ended 31 December 2017						
Balance at 1 January 2017	3,804,641	4,445,283	(45,034)	25,045,292	(64,624)	33,185,558
Transfer between reserves	-	-	-	(64,624)	64,624	-
Profit for the financial year	-	-	-	1,995,190	-	1,995,190
Other comprehensive income	-	-	45,168	-	-	45,168
Total comprehensive income	-	-	45,168	1,995,190	-	2,040,358
Balance at 31 December 2017	**3,804,641**	**4,445,283**	**134**	**26,975,858**	**-**	**35,225,916**
Financial year ended 31 December 2018						
Balance 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)
Restated balance 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	-	-	(134)	14,225,162	-	14,225,028
Dividend (Note 25)	-	-	-	(6,000,000)	-	(6,000,000)
Balance at 31 December 2018	**3,804,641**	**4,445,283**	**-**	**35,096,296**	**-**	**43,346,220**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

	Group		Company	
	2018	2017 (restated)	**2018**	2017
	EUR	EUR	**EUR**	EUR
Cash flows from operating activities				
Profit/(loss) before tax	**12,994,300**	(742,447)	**14,277,540**	2,068,516
Adjustments for:				
Allowance for expected credit losses	**872,017**	-	**1,961,302**	-
Waiver of balance due to the Company	**450,000**	-	**450,000**	-
Depreciation and amortisation	**1,226,840**	905,158	**24,957**	17,366
Movements in fair value of investments in subsidiaries and associates	**-**	-	**(17,028,994)**	(2,373,349)
Share of results of associates	**(17,876,487)**	(2,012,083)		
Investment income	**-**	45,200	**-**	45,200
Loss on disposal of property, plant and equipment	**-**	129,516	**-**	-
Interest and other related income	**(1,569,422)**	(1,618,504)	**(730,295)**	(973,362)
Amortisation of bond interest	**41,630**	33,754	**-**	-
Interest and other related expenses	**2,671,372**	2,214,511	**672,063**	2,248,265
Operating (loss)/profit before working capital changes	**(1,189,750)**	(1,044,895)	**(373,427)**	1,032,636
Movement in inventories	**23,876**	(52,757)	**-**	-
Movement in trade and other receivables	**(6,478,814)**	(877,595)	**-**	(1,667)
Movement in trade and other payables	**22,722**	1,765,082	**86,322**	(119,030)
Movement in provisions	**-**	16,099	**-**	-
Taxes (paid)/refunded	**(52,076)**	140,042	**(53,211)**	(56,339)
Net cash flows (used in)/generated from operating activities	**(7,674,042)**	(54,024)	**(340,316)**	855,600

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS – continued

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Cash flows from investing activities				
Payments to acquire fair value through profit or loss investments	**-**	-	**-**	(315,856)
Payments to acquire an associate	**-**	(25,000)	**-**	-
Payments to acquire other financial assets	**-**	(115,856)	**-**	-
Payments to acquire intangible assets	**(162,500)**	(88,591)	**-**	-
Payments to acquire property, plant and equipment	**(3,700,366)**	(5,538,975)	**(37,365)**	(6,673)
Payment to acquire investment property	**(650,727)**	-	**-**	-
Proceeds from disposal of property, plant and equipment	**773,071**	11,469	**-**	-
Net movement in loans to parent company	**1,752,788**	(10,097,194)	**1,711,874**	(3,897,194)
Net movement in loans to group companies	**-**	-	**(1,679,282)**	6,384,995
Net movement in loans to associates and other related companies	**7,373,275**	(1,794,854)	**(919,002)**	(1,858,017)
Net movement in amounts due from ultimate beneficial owner	**(51,029)**	15,546	**(160,000)**	-
Net movement in directors' account	**-**	(20,000)	**-**	(20,000)
Net movement in loans to third parties	**53,470**	(2,740,248)	**(5,900)**	(67,530)
Interest received	**1,569,422**	1,428,928	**730,295**	1,924,487
Net cash generated from/(used in) investing activities	**6,957,404**	(18,964,775)	**(359,380)**	2,144,212

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS – continued

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Cash flows from financing activities				
Net movement in loans from parent companies	**(866,618)**	2,840,000	**(1,091,618)**	2,750,000
Net movement in loans from group companies	**-**	-	**970,751**	1,826,370
Net movement in loans from associates and other related companies	**(366,940)**	(3,950,737)	**-**	848,840
Net movement in loans from ultimate beneficial owner	**1,538,402**	(521,934)	**-**	(35,213)
Net movement in bank borrowings	**2,440,200**	3,146,435	**-**	-
Net movement in loans from third parties	**(2,002,656)**	(132,185)	**(138,672)**	(6,065,760)
Interest paid	**(2,396,351)**	(2,401,267)	**(438,672)**	(2,193,245)
Other borrowings	**(349,430)**	(756,654)	**-**	-
Issuance of bonds	**-**	24,774,113	**-**	-
Net cash (used in)/generated from financing activities	**(2,003,393)**	22,997,771	**(698,211)**	(2,869,008)
Effect of changes in foreign exchange	**(384,223)**	(14,619)	**-**	-
Net movement in cash and cash equivalents in the year	**(3,104,254)**	3,964,353	**(1,397,907)**	130,804
Cash and cash equivalents at beginning of year	**6,906,858**	2,942,505	**1,639,388**	1,508,584
Cash and cash equivalents at end of year (Note 22)	**3,802,604**	6,906,858	**241,481**	1,639,388

NOTES TO THE FINANCIAL STATEMENTS

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 3.

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

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 are expected to occur in the coming months. These events include the bank refinancing of one of the Group's main assets, the Bavaria Towers in Munich, from which the shareholders including Timan Investments Holdings Limited will have their loans repaid.

The Group's net current liability position as at 31 December 2018 has improved to EUR 1,834,604 when compared to EUR2,161,563 as at prior year. 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 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. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS

Reclassifications and restatements have been identified for prior periods ending 31 December 2017 and periods before 1 January 2017.

Group

a. Reserves

A reclassification between the other reserves, currency translation, non-controlling interest and retained earnings was required to rectify the calculations of these reserves as at 1 January 2017 and 31 December 2017.

b. Investment in associates

The accounting policy of the Group is to measure Investment property at fair value. Up to 31 December 2017 the associates of the Group measured Investment property at cost and this was not aligned when applying the equity method to account for the investments in associate in the consolidated financial statements. The restatement has an effect on the carrying amount of investments in associate.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS - continued

c. Investment property

The Group has property which is held to earn rentals or for capital appreciation. Up to 31 December 2017 investment property was classified as property within property, plant and equipment. The restatement has an effect on the classification within property, plant and equipment and investment property, and the respective cumulative changes in fair value reclassified from revaluation reserve to retained earnings. This has no impact on equity.

The impact of the prior period reclassifications and restatements on the consolidated statement of comprehensive income and the consolidated statement of financial position is as follows:

	Adjustment	As previously reported	Re-statement	As restated
Effect on amounts as at 1 January 2017				
Investment in associates	b	122,967	1,492,597	1,615,564
Property, plant and equipment	c	47,166,060	(16,154,399)	31,011,661
Investment property	c	-	16,154,399	16,154,399
Other reserves	c	(8,313,150)	5,709,149	(2,604,001)
Non-controlling interest	c	(14,888,051)	(1,223,754)	(16,111,805)
Currency translation reserve	a	(1,148,654)	1,489,867	341,213
Retained earnings		**834,813**	**(7,467,859)**	**(6,633,046)**
Effect on amounts for the year ended 31 December 2017				
Consolidated statement of financial position				
Investment in associates	b	132,986	3,519,660	3,652,646
Property, plant and equipment	c	54,821,624	(16,655,236)	38,166,388
Investment property	c	-	16,655,236	16,655,236
Other reserves	c	(10,284,353)	6,237,998	(4,046,355)
Non-controlling interest	a , c	(15,594,774)	(1,654,246)	(17,249,020)
Currency translation reserve	a	(1,471,734)	1,920,359	448,625
Retained earnings		**3,738,734**	**(10,023,772)**	**(6,285,038)**
Consolidated statement of comprehensive income				
Share of profit/(loss) from associate	b	(14,981)	2,027,064	2,012,083
Fair value movement on Investment property	c	-	105,537	105,537
Income tax expense	c	(262,682)	(20,052)	(282,734)
(Loss)/Profit for the year		**(3,137,730)**	**2,112,549**	**(1,025,181)**
Other comprehensive income				
Fair value movement on PPE	c	2,240,198	(85,485)	2,154,713
Total comprehensive income for the year		**92,904**	**4,139,612**	**4,232,516**

NOTES TO THE FINANCIAL STATEMENTS - continued

2. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS - continued

Company

a. Investment in associates

The Company changed the presentation of the investment in associates by offsetting a corresponding liability to reflect the company's effective shareholding instead of its legal shareholding in the investments in associates as at 31 December 2017.

	Adjustment	As previously reported	Re-classification	As re-classified
Effect on amounts as at 31 December 2017				
Statement of financial position				
Investment in associates	**a**	5,731,924	(1,826,086)	3,905,838
Non-current borrowings	**a**	(11,005,594)	1,826,086	(9,179,508)
Retained earnings		-	-	-

The reclassification required as at 1 January 2017 would amount to EUR 679,465.

3. 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.

3.1 Standards, interpretations and amendments to published standards effective 1 January 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period starting on 1 January 2018. 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.

IFRS 9 Financial instruments

In July 2014, the IASB issued IFRS 9, 'Financial instruments', the standard that has replaced IAS 39 for annual periods on or after 1 January 2018.

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories have been replaced by: Fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.1 Standards, interpretations and amendments to published standards effective 1 January 2018 - continued

Classification and measurement - continued

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Group has concluded that the financial assets previously classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9. There is no financial impact arising as the accounting measurement is the same as under IAS 39.

Impairment of financial assets

The Group has adopted IFRS 9 as issued by the IASB on 1 January 2018.

IFRS 9 has fundamentally changed the impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months (12-month ECL) unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset (lifetime ECL).

The general principle of IFRS 9 is that ECL accounting requires that the credit risk of financial instruments within the scope of impairment to be assessed for significant increase since initial recognition at each reporting sheet date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition. 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.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an allowance for expected credit losses as follows:

12-month ECL on loans and other receivables as at 31 December 2017:
The Group: EUR183,594
The Company: EUR104,724

There was no significant impact of IFRS 9 impairment requirements on other financial assets. No deferred tax implications arose on adoption.

Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement, including impairment, requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The determination of the business model assessment within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.1 Standards, interpretations and amendments to published standards effective 1 January 2018 - continued

Amendments to IFRS 7 Financial Instruments: Disclosures

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures were also amended. The Group applied the amended disclosure requirements of IFRS 7, together with IFRS 9. Changes include transition disclosures and information about the ECL calculations as set out in Note 3.1. IFRS 7 also requires additional and more detailed disclosures for hedge accounting, which are not deemed to apply for the Group.

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and it applies, with limited exception, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has initially adopted IFRS 15 (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 Revenue. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The significant accounting policies under IAS 18 continue to apply to the comparative figures. The adoption of IFRS 15 did not have a material impact on the Group.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements

3.2 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 2019. 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 other than as described below, there are no requirements that will result in substantial changes to the Group's accounting policies and financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Standards, interpretations and amendments to published standards that are not yet effective - continued

IFRS 16 Leases

Group

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of ‘low-value’ assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the Group’s statement of financial position as at 1 January 2019:

	EUR
Assets	
Property, plant and equipment (right-of-use assets)	**43,728,502**
Liabilities	
Lease liabilities	**(43,728,502)**
Net impact on equity (i)	**-**

(i) The undiscounted amount of non-cancellable operating leases amounts to EUR62,770,985 (Note 31).

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Standards, interpretations and amendments to published standards that are not yet effective - continued

IFRS 16 Leases – continued

Generally, the Group has lease terms between 60 to 240 months, and the incremental borrowing rates used ranged between 2.69% to 4.53%.

Company

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

3.3 Revenue

Policies applicable after 1 January 2018

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, noncash 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 corresponds 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.3 Revenue - continued

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.

Policies applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue corresponds to the value of goods and services sold by the Group in the ordinary course of business. The Group recognizes revenue when it transfers the control of the promised goods and services to the customer, which may be overtime or at a point in time. Revenue is recognized in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring promised goods or services.

3.4 Financial instruments

Policies applicable after 1 January 2018

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

From 1 January 2018 the Group has adopted the following accounting policies to its financial instruments.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.4 Financial instruments - continued

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.

Financial assets at fair value through profit or loss

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. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.4 Financial instruments - continued

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.4 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.

Policies applicable before 1 January 2018

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.4 Financial instruments – continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. The calculation takes into account any premiums or discounts on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3.5 Impairment

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.

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.

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.7 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.

3.8 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.

3.9 Ordinary shares

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

3.10 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.

3.11 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.

3.12 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 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.12 Basis of consolidation – continued

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.12 Basis of consolidation - continued

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

Company	Statutory	Country	Holding
Donaupassage Hotel Betriebs GmbH	Passau	Germany	99.56%
IBB Blue Hotel Betriebs GmbH	Passau	Germany	99.56%
IBB Hotels Deutschland Betriebs GmbH	Passau	Germany	99.56%
IBB Hotel Erfurt GmbH & Co KG	Berlin	Germany	89.96%
IBB Hotel Management Europe Limited	Gzira	Malta	99.56%
Merkanti Hotel Operations Limited	Gzira	Malta	99.56%
Senglea Hotel Operations Limited	Gzira	Malta	99.56%
Von Der Heyden Group Finance p.l.c.	Gzira	Malta	100.00%
First Polish Real Estate B.V.	Amsterdam	Netherlands	55.00%
Andersia Tower Hotel Management Sp. z o.o.	Poznan	Poland	73.62%
Andersia Property Sp. z o.o.	Poznan	Poland	42.50%
Andersia Retail Sp. z o.o.	Poznan	Poland	42.50%
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	99.56%
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	99.56%
IBB España 2004 S.L.	Menorca	Spain	99.56%
IBB Hotel Collection Holding S.L.	Menorca	Spain	99.56%
IBB Management 2007 S.L.	Mallorca	Spain	99.56%
Kalagastur S.L.	Menorca	Spain	99.56%
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%

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.

Non-consolidated participations are immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.13 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 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***	
	2018	2017	**2018**	2017
PLN	**4.3014**	4.1770	**4.2615**	4.2570

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).

3.14 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%

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

3.15 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.

3.16 Revaluation of land and buildings

Land and buildings are carried at their revalued amount.

Land and buildings are revalued by a professionally qualified architect/surveyor on the basis of market values. Any surpluses arising on such revaluation are credited to a revaluation reserve whilst deficiencies resulting from decreases in value and/or impairment are deducted from this reserve to the extent that it is sufficient to absorb these, and charged through the statement of comprehensive income thereafter. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.17 Investment property - continued

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.

3.18 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 2018. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. The use of the equity method should cease from the date that significant influence ceases.

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 consolidated statement of comprehensive income.

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.20 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.

3.21 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.

3.22 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. 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).
- 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 15.1, 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 15.1 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 17, 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 17 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

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 an agreement in place to hold a percentage of the shares as trustee on behalf of another principle. The associate has been accounted for using the effective shareholding which is reflected of the returns to which the Group and the Company are entitled.

5. REVENUE

Revenue consists of income from hospitality and hotel management.

Revenue by geographical region:

	2018 EUR	2017 EUR
Poland	**8,985,949**	8,449,945
Spain	**2,855,615**	2,513,552
Germany	**9,774,562**	8,059,380
Malta	**912,203**	7,732
	22,528,329	19,030,609

Revenue by category of activity:

	2018 EUR	2017 EUR
Accommodation	**16,373,706**	15,257,079
Catering	**4,760,401**	2,294,377
Administration & consulting	**640,572**	385,700
Development	**-**	123,738
Other	**753,650**	969,715
	22,528,329	19,030,609

6. OTHER GAINS/(LOSSES)

	Group		**Company**	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Impairment of goodwill (Note 32)	**(1,079,461)**	-	**-**	-
Loss on disposal of investments	**-**	(45,200)	**-**	-
Net foreign exchange differences	**256,917**	(645,763)	**-**	177,082
Unrealised gain on movement in fair value of investments in subsidiaries and associates	**-**	-	**17,172,546**	2,151,087
Waiver of loan receivables	**(450,000)**	-	**(450,000)**	-
	(1,272,544)	(690,963)	**16,722,546**	2,328,169

NOTES TO THE FINANCIAL STATEMENTS - continued

7. INTEREST AND OTHER RELATED INCOME

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Interest on bank balances	**1,422**	108,377	**14**	18,156
Interest on loans to parent company	**587,446**	377,311	**296,492**	162,552
Interest on loans to group companies	**-**	-	**113,892**	183,022
Interest on loans to other related parties	**557,410**	393,692	**313,967**	262,148
Interest on loans to ultimate beneficial owner	**17,126**	142,265	**-**	122,945
Interest on loans to third parties	**82,705**	64,842	**5,930**	2,257
Other interest income	**973**	2,029	**-**	-
	1,247,082	1,088,516	**730,295**	751,080

8. INTEREST AND OTHER RELATED EXPENSES

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Interest on bank loans and charges	**832,802**	436,143	**4,184**	1,031
Interest on loans from parent company	**121,000**	90,170	**121,000**	90,170
Interest on loans from group companies	**-**	-	**145,274**	117,852
Interest on loans from associated and other related parties	**72,799**	53,586	**69,750**	188,505
Interest on loans from third parties	**501,777**	186,509	**331,855**	33,965
Interest on loans from ultimate beneficial owner	**1,364**	74,449	**-**	300
Interest expense on bonds	**1,141,630**	944,310	**-**	-
	2,671,372	1,785,167	**672,063**	431,823

NOTES TO THE FINANCIAL STATEMENTS – continued

9. EXPENSES BY NATURE

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

	Group		Company	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Cost of sales	**4,647,457**	3,913,910	**-**	-
Staff costs (Note 10)	**9,033,064**	7,192,561	**264,328**	149,621
Depreciation and amortisation	**1,226,840**	905,158	**24,957**	17,366
Legal and Professional Fees and outsourcing fees	**1,359,393**	675,069	**105,826**	266,488
Auditor fees	**170,500**	96,487	**41,652**	30,000
Marketing costs	**1,104,102**	620,920	**4,573**	28,333
Operating lease expenses	**3,902,523**	3,574,674	**19,435**	-
General administrative expenses	**1,664,567**	1,004,528	**11,136**	38,214
Commission	**442,867**	465,193	**-**	-
Cleaning and upkeep expenses	**795,311**	154,403	**-**	-
Utilities	**447,426**	550,419	**-**	-
Other operating expenses	**892,409**	1,941,889	**152,362**	161,100
	25,686,459	21,095,211	**624,269**	691,122

10. STAFF COSTS

	Group		Company	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Personnel costs				
Wages and salaries	**6,723,427**	5,017,383	**192,711**	82,041
Social security costs	**1,470,588**	1,083,625	**10,723**	7,093
	8,194,015	6,101,008	**203,434**	89,134
Directors' fees and remuneration	**839,049**	1,091,553	**60,894**	60,487
Total staff costs	**9,033,064**	7,192,561	**264,328**	149,621

The Group had an average of 421 (2017: 301) employees and the Company had an average of 8 (2017: 7) during the year under review.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. INCOME TAX (CREDIT)/EXPENSE

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

	Group		Company	
	2018 EUR	2017 (restated) EUR	**2018 EUR**	2017 EUR
Current year taxation				
Income tax on the taxable income for the year	**7,987**	166,347	**52,378**	73,326
Deferred taxation				
Transfer to deferred taxation account	**(142,597)**	116,387	**-**	-
Tax (credit) / expense	**(134,610)**	282,734	**52,378**	73,326

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

	Group		Company	
	2018 EUR	2017 (restated) EUR	**2018 EUR**	2017 EUR
Profit/(loss) before tax	**12,994,300**	(742,447)	**14,277,540**	2,068,516
Theoretical tax charge/(credit) using the parent's domestic tax rate of 35%	**4,548,005**	(259,856)	**4,997,139**	723,981
Tax effect of:				
- Non-taxable incomes	**(6,141,640)**	(421,008)	**(6,010,391)**	(752,978)
- Non-deductible expenses	**1,122,943**	508,600	**1,192,350**	218,473
- Unabsorbed tax losses not recognised	**3,408**	850,926	**-**	-
- Unabsorbed tax losses brought forward	**-**	(203,459)	**-**	-
- Other differences	**597,076**	(65,723)	**(1,452)**	-
- Different tax rates of subsidiaries operating in other jurisdictions	**(139,134)**	(10,596)	**-**	-
- Flat rate foreign tax credit	**(125,268)**	(116,150)	**(125,268)**	(116,150)
Tax (credit) / expense	**(134,610)**	282,734	**52,378**	73,326

NOTES TO THE FINANCIAL STATEMENTS – continued

12. DEFERRED TAXATION

GROUP

Deferred income tax at 31 December relates to the following**:**

	2018 EUR	2017 (restated) EUR
Deferred income tax asset is attributable to the following:		
• Tax loss carried forward and other temporary differences	**553,189**	1,239,810
Deferred income tax liability is attributable to the following:		
• Other temporary differences	**(517,700)**	(1,546,109)
• Land and buildings	**(2,726,299)**	(2,391,576)
	(3,243,999)	(3,937,685)

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 2018, the Group has an unrecognized deferred tax asset of 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.

Reconciliation of deferred tax asset and liability

	2018 EUR	2017 (restated) EUR
As of 1 January	**(2,697,875)**	(2,169,067)
Tax credit/(expense) during the period recognised in profit and loss (Note 11)	**142,597**	(116,387)
Tax expense during the period recognised in OCI	**(135,532)**	(412,421)
As at 31 December	**(2,690,810)**	(2,697,875)

The company had no deferred tax asset and liability as at 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INTANGIBLE ASSETS

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**

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

The Company had no intangible assets as at 31 December 2018 (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

14. PROPERTY, PLANT AND EQUIPMENT

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**

The Group's land and buildings were revalued by independent professional qualified valuers. The surplus on revaluation was transferred to the revaluation reserve. Note 15.1 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 EUR28,385,225 (2017: EUR28,440,880).

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

NOTES TO THE FINANCIAL STATEMENTS - continued

14. PROPERTY, PLANT AND EQUIPMENT - continued

GROUP (restated)	Land and buildings EUR	Machinery and equipment EUR	Assets under construction EUR	Total EUR
Cost/revaluation				
At 1 January 2017	23,593,023	4,994,485	5,834,506	34,422,014
Additions	281,409	425,077	4,423,352	5,129,838
Disposals	-	(779,695)	-	(779,695)
Reclassification	-	176,665	-	176,665
Revaluation	2,425,675	-	-	2,425,675
Effect of foreign exchange	58,412	163,654	325,877	547,943
* Transfer	(482,569)	-	-	(482,569)
At 31 December 2017	25,875,950	4,980,186	10,583,735	41,439,871
Depreciation				
At 1 January 2017	-	(3,410,353)	-	(3,410,353)
Depreciation charge for the year	(471,661)	(490,761)	-	(962,422)
Depreciation released on disposal	-	773,432	-	773,432
Effect of foreign exchange	(10,908)	(145,801)	-	(156,709)
*Transfer	482,569	-	-	482,569
At 31 December 2017	-	(3,273,483)	-	(3,273,483)
Net book values				
At 31 December 2017	**25,875,950**	**1,706,703**	**10,583,735**	**38,166,388**

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

NOTES TO THE FINANCIAL STATEMENTS – continued

14. PROPERTY, PLANT AND EQUIPMENT- continued

COMPANY	Motor vehicle EUR	Computer equipment EUR	Other assets EUR	Total EUR
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**

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

NOTES TO THE FINANCIAL STATEMENTS – continued

15. INVESTMENT PROPERTY

GROUP

	2018	2017 restated
	EUR	EUR
As at 1 January	**16,655,236**	16,169,387
Additions	**650,727**	409,138
Disposals	**(12,597)**	(134,772)
Revaluation	**210,369**	105,537
Reclassification	**-**	(176,664)
Effect of foreign exchange	**(62,784)**	282,610
As at 31 December	**17,440,951**	16,655,236

15.1 Valuation process

The Group's investment property comprises land and buildings that are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the investment 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 investment 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 30.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

15. INVESTMENT PROPERTY - continued

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

The valuation was determined by 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
Investment Property	Asset Based	Price per Square metre	EUR732 to EUR2,466/sqm	The higher the price per sqm, the higher the fair value

NOTES TO THE FINANCIAL STATEMENTS - continued

16. LOANS AND OTHER RECEIVABLES: NON-CURRENT

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Amounts owed by the ultimate beneficial owner (Note i)	**635,431**	584,402	**-**	-
Amounts owed by parent company (Note ii)	**5,750,000**	12,627,988	**-**	6,427,988
Amounts owed by group companies (Note ii)	**-**	-	**942,678**	3,891,748
Amounts owed by associates (Note iii)	**2,146,117**	8,554,334	**320,517**	6,829,334
Amounts owed by other related companies (Note iii)	**-**	965,058	**-**	190,058
Amounts owed by third parties (Note iv)	**2,699,878**	2,753,348	**-**	118,000
Prepayments	**302,463**	422,463	**-**	-
	11,533,889	25,907,593	**1,263,195**	17,457,128

i. The amounts owed by the ultimate beneficial owner are unsecured, bear interest of 4.5% per annum and are not repayable within twelve months from the end of reporting period.

ii. The amounts owed by parent and group companies are unsecured, subject to interest rates ranging between 4.4% and 7.5% per annum and are not repayable within twelve months from the end of reporting period. The Company's amounts owed by group companies as at 31 December 2018 are shown net of provision for impairment of financial assets amounting to EUR1,079,716 (Note 30).

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 are stated net of provision for impairment of financial assets amounting to EUR650,000 (Note 30).

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. INVESTMENT IN SUBSIDIARIES

COMPANY

	2018 EUR	2017 EUR
At fair value		
At beginning of the year	**19,299,148**	17,813,368
Additions	**1**	315,856
Disposals	**(9,999)**	-
Fair value movement	**(574,934)**	1,392,189
Foreign exchange result	**-**	(222,265)
	18,714,216	19,299,148

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 30.

	2018 EUR	2017 EUR
Discounted cash flow approach	**9,596,573**	11,200,880
Asset-based approach	**9,117,643**	8,098,268
	18,714,216	19,299,148

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 between 10% and 12%, and a capitalisation rate of between 6.25% and 8%, has 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 15.1).

NOTES TO THE FINANCIAL STATEMENTS - continued

17. INVESTMENT IN SUBSIDIARIES - continued

Subsidiary undertakings	Registered or principal office	Class	Shares held Proportion
IBB Hotel Erfurt GmbH & Co. KG	Berlin, Germany	Ordinary	89.96%
IBB Hotel Erfurt Verwaltungs GmbH	Berlin, Germany	Ordinary	100.00%
Von der Heyden Group Finance p.l.c.	Gzira, Malta	Ordinary	100.00%
Andersia Tower Hotel Management Sp. z o.o.	Poznan, Poland	Ordinary	73.62%
First Polish Real Estate B.V.	Amsterdam, The Netherlands	Ordinary	55.00%
Lublin Grand Hotel Management Sp. z o.o.	Lublin, Poland	Ordinary	74.77%
Lublin Grand Hotel Sp. z o.o.	Lublin, Poland	Ordinary	75.00%
Nowy Swiat 5 Sp. z o.o.	Warsaw, Poland	Ordinary	100.00%
Von der Heyden Development Sp. z o.o.	Warsaw, Poland	Ordinary	100.00%
Von der Heyden & Partners Sp. z o.o.	Warsaw, Poland	Ordinary	99.88%
IBB Hotel Collection Holding S.L.	Menorca, Spain	Ordinary	99.56%
Timan Investments Espana S.L.	Menorca, Spain	Ordinary	100.00%
Urbelia Business S.L.	Madrid, Spain	Ordinary	69.00%

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)	514,323	101,703
First Polish Real Estate B.V. (unaudited)	6,806,226	(189,410)
IBB Hotel Collection Holding S.L. (audited)	295,564	(47,997)
IBB Hotel Erfurt GmbH & Co. KG (unaudited)	280,324	(545)
Lublin Grand Hotel Management Sp. z o.o. (audited)	(637,708)	(160,156)
Lublin Grand Hotel Sp. z o.o. (audited)	3,334,058	142,938
Nowy Swiat 5 Sp. z o.o. (unaudited)	(1,157,872)	(192,458)
Timan Investments Espana S.L. (audited)	(1,955,796)	(927,857)
Urbelia Business S.L. (unaudited) (Note 19)	(81,873)	(181,873)
Von der Heyden & Partners Sp. z o.o. (unaudited)	(1,204,025)	(53,217)
Von der Heyden Development Sp. z o.o. (unaudited)	477,947	(46,607)
Von der Heyden Group Finance p.l.c. (audited)	78,534	123,671

NOTES TO THE FINANCIAL STATEMENTS - continued

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2018 **EUR**	2017 (restated) EUR	**2018** **EUR**	2017 EUR
At equity method/fair value				
At beginning of the year	**3,652,646**	1,615,563	**3,905,838**	3,311,337
Additions	**-**	25,000	**-**	-
Share of results of associates	**17,867,487**	2,012,083	**-**	-
Fair value movement	-	-	**17,603,928**	594,501
	21,520,133	3,652,646	**21,509,766**	3,905,838

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 30.

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 15.1).

Associate undertakings	**Registered of principal office**	**Class**	**Proportion* 2018**	**Proportion* 2017**
Bogenhausener Tor Immobilien GmbH	Munich, Germany	Ordinary	**38.50%**	38.50%
Kasa Investments GmbH	Grunwald, Germany	Ordinary	**49.58%**	49.58%
IBB Hammetts Operations Limited	Gzira, Malta	Ordinary	**50.00%**	50.00%
Plaza Explanada S.L.	Menorca, Spain	Ordinary	**50.00%**	50.00%
Nowy Swiat 5 Sp. z o.o.	Warsaw, Poland	Ordinary	**100.00%**	50.00%

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

The Company held a 50% investment in Nowy Swiat 5 Sp. z o.o. as at 31 December 2017. Nowy Swiat 5 Sp. z o.o. was fully acquired by the Company during 2018 and accounted for as subsidiary as at 31 December 2018 (Note 17). Financial statements for Nowy Swiat 5 Sp. z o.o. are prepared as at 30 September. No significant movements occurred between this date and 31 December (Note 32).

NOTES TO THE FINANCIAL STATEMENTS – continued

18. 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)**

NOTES TO THE FINANCIAL STATEMENTS - continued

18. INVESTMENT IN ASSOCIATES - continued

Associate undertakings - 2017	Bogenhausener Tor Immobilien GmbH	Kasa Investments GmbH	IBB Hammets Operations Limited	Plaza Explanada S.L.	Nowy Swiat 5 Sp z o.o.	Total
Revenue	14,571,851	402,618	570,120	46,725	13,975	15,605,289
Profit after tax	(765,898)	(193,502)	(134,560)	20,038	(701,223)	(1,775,145)
Other Comprehensive Income	17,552,977	-	-	-	-	17,552,977
Total Comprehensive Income	**16,787,079**	**(193,502)**	**(134,560)**	**20,038**	**(701,223)**	**15,777,832**
Current assets	45,402,053	1,943,126	225,877	11,628	61,390	47,644,074
Non-current assets	69,424,555	3,137,880	775,864	721,035	887,201	74,946,535
Current liabilities	78,473,439	3,120,789	536,301	103,261	839,496	83,073,286
Non-current liabilities	23,170,549	2,651,883	550,000	91,352	1,755,587	28,219,371
Equity	13,182,620	(691,666)	(84,560)	538,050	(1,646,492)	11,297,952
Group's carrying amount of the investments	3,383,621	-	-	269,025	-	3,652,646
Unrecognised share of losses	-	(342,928)	(42,280)	-	(823,246)	(1,208,454)

NOTES TO THE FINANCIAL STATEMENTS - continued

19. OTHER FINANCIAL ASSETS

GROUP

	2018 EUR	2017 EUR
At cost		
At beginning of the year	**272,095**	157,270
Reclassification to investment in subsidiary (Note	**(69,000)**	-
Net additions	**2,343**	114,825
	205,438	272,095

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

20. INVENTORIES

GROUP

	2018 EUR	2017 EUR
Materials	**91,782**	125,989
Work in progress	**-**	7,411
Finished goods	**64,270**	46,533
	156,052	179,933

The Company had no inventories as at 31 December 2018 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS - continued

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Trade receivables from third parties (Note i)	**756,978**	700,386	**4,818**	4,818
Trade receivables from other related companies (Note i)	**1,131**	82,148	**-**	-
Amounts owed by a director (Note ii)	**20,000**	20,000	**20,000**	20,000
Amounts owed by ultimate beneficial owner (Note iii)	**192,418**	44,372	**160,000**	-
Amounts owed by parent company (Note iv)	**71,500**	409,086	**-**	409,086
Amounts owed by group companies (Note iv)	**-**	-	**5,012,942**	1,525,709
Amounts owed by associated (Note iv)	**5,115,194**	-	**4,967,168**	-
Amounts owed other related companies (Note iv)	**266**	598,320	**-**	598,320
Amounts owed by third parties (Note v)	**2,177,094**	11,434	**2,023,089**	5,490
Advance payments to suppliers/deposits	**8,526**	12,030	**-**	-
Other receivables	**249,391**	209,939	**1,915**	-
Prepayments	**243,681**	307,464	**175**	21,801
VAT receivable	**296,558**	376,036	**-**	-
Accrued interest	**222,639**	24,501	**-**	-
	9,355,376	2,795,716	**12,190,107**	2,585,224

Trade and other receivables of the Group and the Company are stated net of loss allowance under IFRS 9 as at 31 December 2018 amounting to EUR150,881 and EUR81,580 respectively (Note 30).

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

GROUP

	Total	0-30 days	30-60 days	61-90 days	over 90 days
	EUR	EUR	EUR	EUR	EUR
2018	**758,109**	**705,762**	**23,936**	**6,947**	**21,464**
2017	782,534	608,480	33,727	15,459	124,868

NOTES TO THE FINANCIAL STATEMENTS - continued

21. TRADE AND OTHER RECEIVABLES - continued

COMPANY

	Total EUR	0-30 days EUR	30-60 days EUR	61-90 days EUR	over 90 days EUR
2018	**4,818**	**-**	**-**	**-**	**4,818**
2017	4,818	-	-	-	4,818

ii. The amounts owed by a director are unsecured, interest free and are repayable on demand.
iii. The amounts owed by ultimate beneficial owner are unsecured and repayable on demand.
iv. The amounts owed by parent, group, 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 EUR148,429 (Note 30).
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 EUR106,301 (Note 30).

22. 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		Company	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Cash at bank	**3,754,939**	6,816,358	**241,481**	1,639,388
Cash on hand	**47,665**	90,500	**-**	-
	3,802,604	6,906,858	**241,481**	1,639,388

23. SHARE CAPITAL AND SHARE PREMIUM

	2018 EUR	2017 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

23. SHARE CAPITAL AND SHARE PREMIUM - continued

Share premium

The share premium arising on the issue of shares for the Group and the Company is equal to EUR4,445,283 (2017: EUR4,445,283).

24. RESERVES

Other reserves

The Group's other reserves is mainly composed of fair value reserves of EUR6,010,166 (2017: EUR3,811,332) and capital reserve of EUR235,023 (2017: 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 undistributable reserves of certain subsidiary companies.

Retained earnings

The reserve represents accumulated retained profits that are available for distribution to the reporting the Group's and the Company's shareholders.

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.

25. DIVIDEND DECLARED

	Group		**Company**	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Dividend	**6,000,000**	-	**6,000,000**	-

During the year ended 31 December 2018, the Company declared a net dividend of EUR6,000,000 to the ordinary shareholders, equivalent to EUR1.5770 per ordinary share. No dividend was declared by the Company for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS – continued

26. BORROWINGS

	Group		Company	
	2018	2017	**2018**	2017
	EUR	EUR	**EUR**	EUR
Non-current				
Bank borrowings (Note i)	**13,025,203**	10,341,148	**-**	-
Loans from parent company (Note ii)	**225,000**	2,750,000	**-**	2,750,000
Loans from group companies (Note ii)	**-**	-	**-**	1,775,010
Loans from associates (Note ii)	**930,000**	-	**930,000**	930,000
Loans from other related companies (Note ii)	**612,088**	982,173		-
Loans from third parties (Note iii)	**2,776,243**	5,326,649	**2,810,192**	3,724,498
4.4% Bonds redeemable (Note v)	**24,791,849**	24,774,113	**-**	-
Other borrowings	**1,226**	138,187	**-**	-
Amounts owed to shareholders (Note iv)	**1,686,379**	184,384	**-**	-
	44,047,988	44,496,654	**3,740,192**	9,179,508
Current				
Bank borrowings (Note i)	**6,141,196**	6,385,051	**-**	-
Loans from parent company (Note ii)	**1,658,382**	-	**1,658,382**	-
Loans from group companies (Note v)	**-**	-	**2,902,604**	156,843
Loans from associates (Note ii)	**-**	-	**-**	-
Loans from other related companies (Note ii)	**460,587**	-	**-**	-
Loans from third parties (Note iii)	**1,025,385**	477,635	**1,019,785**	10,054
Amounts owed to ultimate beneficial owner (Note iv)	**60,072**	23,665	**-**	706
Other borrowings	**-**	188,575	**-**	-
	9,345,622	7,074,926	**5,580,771**	167,603

Repayment terms of non-current borrowings:

	Group		Company	
	2018	2017 (restated)	**2018**	2017
	EUR	EUR	**EUR**	EUR
Repayable between one and two	**4,348,148**	9,082,276	**-**	2,705,010
Repayable between two and five	**7,260,068**	2,188,872	**-**	-
Repayable in five years or more	**32,439,772**	33,225,506	**3,740,192**	6,474,498
	44,047,988	44,496,654	**3,740,192**	9,179,508

i. The bank borrowings are pledged by special hypothecs on the properties and bear interest at rates ranging from 2.1% to 4.5% per annum. One of the loans is also secured by a pledge on the shares of the subsidiary undertaking.

   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 2018, the ratio was slightly below the minimum. The outstanding loan of EUR5.6m is classified as current also in view of its maturity date. Negotiations are ongoing with the bank to renew this facility.

NOTES TO THE FINANCIAL STATEMENTS – continued

26. BORROWINGS - continued

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.

iii. The loans from third parties are unsecured, bear interest at rates ranging from 2.98% to 5.5% 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 the previous year, 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 2018 for the 4.4% Bonds (2017 – 2024) was 102.48 (2017: 99.50).

The Company, Timan Investments Holdings Limited has provided a corporate guarantee in favour of the bondholders to effect 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 effect 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 the subsidiaries and have no recourse to the Company.

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

	2018 **EUR**	2017 EUR
Proceeds	**25,000,000**	25,000,000
Less:		
Issue costs	**283,535**	283,535
Accumulated amortisation	**(75,384)**	(33,754)
	208,151	249,781
	24,791,849	24,750,219

NOTES TO THE FINANCIAL STATEMENTS – continued

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

GROUP

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

	2018 EUR	2017 EUR
As at 1 January	**29,150**	13,051
Charged to the statement of comprehensive income	**(44,227)**	(13,051)
Additional provisions	**55,850**	29,150
Unused amounts reversed	**-**	-
Exchange differences	**-**	-
As at 31 December	**40,773**	29,150

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Trade payables to third parties	**2,325,640**	2,793,394	**749**	107
Trade payables to associates	**61,696**	-	**-**	-
Trade payables to other related companies	**1,078,467**	843	**-**	-
Other taxes and social security costs	**139,851**	231,943	**-**	-
Advance payments received from customers (Note ii)	**296,820**	160,489	**-**	-
Other payables	**136,537**	157,241	**-**	-
Accruals	**538,143**	1,291,033	**29,999**	35,918
VAT payable	**56,644**	102,675	**-**	-
Amounts owed to third parties	**1,058,578**	5,673	**-**	-
Amounts owed to group companies (Note i)	**-**	-	**194,264**	116,294
Amounts owed to parent company (Note i)	**-**	90,170	**-**	90,170
Amounts owed to ultimate beneficial owner (Note i)	**58,890**	31,649	**24,800**	-
Amounts owed to other related companies (Note i)	**873**	1,079	**943,801**	-
	5,752,139	4,866,189	**1,193,613**	242,489

i. The amounts owed to parent company, group companies, associates and other related companies and to shareholders 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

29. 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.

	2018 EUR	2017 EUR
Transactions with parent company:		
Interest income	**587,446**	377,311
Interest expense	**121,000**	90,170
Transactions with other related parties:		
Interest income	**557,410**	393,692
Interest expense	**72,799**	53,586
Transactions with ultimate beneficial owner:		
Interest income	**17,126**	142,265
Interest expense	**1,364**	74,449

COMPANY

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

	2018 EUR	2017 EUR
Transactions with group companies:		
Operating expenses	**828,970**	70,680
Interest income	**113,892**	183,022
Interest expense	**145,274**	117,852
Transactions with ultimate beneficial owner:		
Interest income	**-**	122,945
Transactions with other related parties:		
Interest income	**313,967**	262,148
Interest expense	**69,750**	188,505

The outstanding amounts owed by/to related parties as at year-end are as disclosed in Notes 16, 21, 26 and 28 to these financial statements.

Key management compensation

	Group		Company	
	2018 EUR	2017 EUR	**2018 EUR**	2017 EUR
Director's fee and remuneration (Note10)	**839,049**	1,091,553	**60,894**	60,487

NOTES TO THE FINANCIAL STATEMENTS – continued

30. 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 26, and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings as disclosed in Notes 23 and 24 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. On application of IFRS 9, the Group did not recognise any impairment allowance on cash and cash equivalents.

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

30. FINANCIAL INSTRUMENTS - continued

Loans and other receivables
Allowances on loans and other receivables as at the reporting date amounted to EUR1,055,611. 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 2018 and 2017 is represented by the carrying amount of each financial asset, as disclosed in Notes 16, 21 and 22.The maximum exposure for the Company further augmented by EUR22,013,178 in respect of the guarantee given to VDHGF disclosed in Note 26.

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

Group		**2018**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	16	11,231,426	
Trade and other receivables	21	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
	16,21	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**

NOTES TO THE FINANCIAL STATEMENTS – continued

30. FINANCIAL INSTRUMENTS - continued

Loans and receivables - continued

Company		**2018**	
	Notes	**Gross**	**Allowance**
Carrying Amounts			
Loan and receivables	16	2,992,911	
Trade and other receivables	21	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
	16,21	15,519,153	**1,416,026**
Cash		241,481	-
Guaranteed Amounts			
Loan and other receivables	16	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's is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise the bond payable, borrowings and trade and other payables disclosed in notes 26 and 28. Prudent liquidity risk is managed by maintaining significant levels of liquid funds and identifying and monitoring changes in funding to ensure the available amount of funding to meet the Group's obligations.

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

NOTES TO THE FINANCIAL STATEMENTS – continued

30. 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
2018	**+5%**	**(794)**
	-5%	**878**
2017	+5%	(844)
	-5%	932

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 26.

NOTES TO THE FINANCIAL STATEMENTS – continued

30. FINANCIAL INSTRUMENTS - continued

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
2018	**+100**	**(192)**
	-50	**96**
2017	+100	(167)
	-50	84

Fair values

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

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

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

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

At 31 December 2018 and 2017, 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 2018 and 2017, 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 are 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 26.

NOTES TO THE FINANCIAL STATEMENTS – continued

31. LEASES

GROUP

At 31 December, the Group had financial commitments under non-cancellable operating leases.

	2018 EUR	2017 EUR
Land and buildings		
Operating leases which expire:		
Within one year	**4,605,282**	2,421,039
Within two to five years	**20,452,424**	9,887,976
More than five years	**37,713,279**	21,724,988
	62,770,985	34,034,003

COMPANY

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

32. 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 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.

33. SUBSEQUENT EVENTS

The Group has closed the bank refinancing of the main asset of the Group, the Bavaria Tower's in Munich which will increase the free cash-flows of BTI and consequently of the Group. Furthermore, discussions are ongoing to refinance an outstanding facility of the Group, which matures during 2019.

NOTES TO THE FINANCIAL STATEMENTS – continued

34. 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, Gzira, GZR 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 69, which comprise the separate and consolidated statements of financial position as at 31 December 2018, 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 2018, 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 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.

Other matters

The separate and consolidated financial statements of Timan Investments Holdings Limited for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 April 2018.

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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.

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

16 May 2019