



VON DER HEYDEN GROUP FINANCE plc

ANNUAL REPORT
AND
FINANCIAL STATEMENTS
2018



VON DER HEYDEN GROUP FINANCE plc

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VON DER HEYDEN GROUP FINANCE plc

GENERAL INFORMATION

Registration

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

Board of Directors

Mr. Robert Hendrik Rottinghuis
Mr. Sven von der Heyden
Mr. Francis J. Vassallo (resigned on 27 June 2018)
Mr. Lino Casapinta (appointed on 27 June 2018)
Mr. Robert C. Aquilina
Mr. Kevin Deguara

Company Secretary

Mr. Adrian Paul Sciberras (removed on 18 October 2018)
Mr. Luke Coppini (appointed on 18 October 2018)

Registered Office

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

Bankers

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

Hamburg Commercial Bank AG (formerly HSH Nordbank AG)
Gerhart-Hauptmann-Platz 50
20095 Hamburg
Germany

Auditors

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



VON DER HEYDEN GROUP FINANCE plc

DIRECTORS' REPORT

The directors of the Company hereby present their report and the financial statements for the financial period ended on 31 December 2018.

Company Incorporation

The Company was incorporated on September 15th, 2016 as a public limited liability company, registered in terms of the Companies Act (Cap. 386) with company registration number C 77266. It is domiciled in Malta, having its registered office at 14 East, Level 8, Sliema Road, Gzira, GZR 1639, Malta. Its Company Secretary is Mr. Luke Coppini.

Principal Activity

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

Principal Risks and Uncertainties

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

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

Review of the Business

By virtue of prospectus dated 30 January 2017 approved by the Listing Authority on the same date, 250,000 bonds with a face value of €25,000,000 were issued to the general public. The unsecured bonds are redeemable on 8 March 2024 and have a coupon rate of 4.4%.

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

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



VON DER HEYDEN GROUP FINANCE plc

At 31 December 2018, the Company had on-lent and made available from its net bond proceeds an amount of €20,276,745 (2017: €21,700,000) to various companies of the Von der Heyden Group, resulting in an interest income of €1,543,721 (2017: €1,104,177) and a corresponding interest expense of €1,100,000 (2017: €895,278). After bank interest and the amortisation of bond issue costs, the resulting net interest earned for the year under review of €402,225 (2017: €175,282) serves to cover operating expenses as well as a remuneration for the Company's financing activities, on an arm's length basis. The loans provided to the various related companies have been made in accordance with the parameters as set out in the Company's Prospectus.

Further loan disbursements are planned to be made during the year 2019 from the funds remaining available. This is expected to provide for a further increase of the positive net interest income (gross profit) and is expected to result in an enhanced operating profit for the 2019 financial year.

Given the increasing interest income, the Directors of the Company are of the opinion that the business is a going concern.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to note 16 in these financial statements.

Results and Dividends

The results for the year are set out in the statement of comprehensive income on page 17. The directors do not recommend the payment of a dividend.

Related Party Transactions

During the financial period ended 31 December 2018 there have been no material related party transactions which have not been concluded under normal market conditions.

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

Directors

The directors who held office during the period were:

Mr. Robert Hendrik Rottinghuis
Mr. Sven von der Heyden
Mr. Francis J. Vassallo (resigned on 27 June 2018)
Mr. Lino Casapinta (appointed on 27 June 2018)
Mr. Robert C. Aquilina
Mr. Kevin Deguara

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



VON DER HEYDEN GROUP FINANCE plc

Statement of Directors' Responsibilities Pursuant to Listing Rule 5.68

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

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

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

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

Going Concern Statement Pursuant to Listing Rule 5.62

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

Events After the Reporting Period

The directors are not aware of any material fact or circumstance arising between the end of the financial year and the date of this report that would require adjustments to or disclosure in the financial statements.



VON DER HEYDEN GROUP FINANCE plc

Auditors

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

Signed on behalf of the Board of Directors by:

Sven von der Heyden

Robert Hendrik Rottinghuis

24 April 2019



VON DER HEYDEN GROUP FINANCE plc

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

- Mr. Lino Casapinta
- Mr. Robert C. Aquilina
- Mr. Kevin Deguara

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

- Mr. Lino Casapinta (Chairman of the Audit Committee)
- Mr. Robert C. Aquilina (Member of the Audit Committee)
- Mr. Kevin Deguara (Member of the Audit Committee)

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

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



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In accordance with art. 5 of the Corporate Governance Code, the Board of Directors of the Company has formally met during the year 2018 on five occasions in its offices in Malta.

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

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

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

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

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

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

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

Signed on behalf of the Board of Directors by:

Sven von der Heyden

Robert Hendrik Rottinghuis

24 April 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Von der Heyden Group Finance p.l.c. (the "Company"), set on pages 16 to 36, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of the Company's financial performance and 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) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 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.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on the audit of the financial statements - continued

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Recoverability of loans receivable from related companies

The loans receivable from related companies, as disclosed in notes 8 and 9, represent 95% of the Company's total assets as of 31 December 2018. Loans receivable are classified as financial assets at amortised cost as described in note 1.2, are measured using the effective interest method and are subject to impairment. The Company recognises an allowance for expected credit losses based on the cash flows that the Company expects to receive. The 2018 recoverability assessment of loans receivable considers the financial position and performance of the related party borrowers for the reporting period, as well as the cash flow projections for Timan Investments Holdings Limited, as a guarantor of the Company's bond and as a guarantor of the related companies in respect of loans due to the Company. The Company has adopted IFRS 9 as issued by the IASB on 1 January 2018.

Due to the significance of the balances of loans receivable from related companies, and the dependency of the Company on the performance and recoverability of such loans to meet its ongoing obligations, we have considered the recoverability of loans receivable as a key audit matter.

Our audit procedures over the recoverability of the loans receivables from related companies included amongst others:

- inspecting the loan and guarantee agreements, agreeing terms and conditions with related parties and analysing whether the performance of the loans is in line therewith;
- confirming the outstanding balances with related companies; and
- evaluating the Company's assessment of the recoverability of loans receivable by analysing the cash flow projections for Timan Investments Holdings Limited, as well as the financial position and performance of the related party borrowers for the reporting period. Our procedures focused on considering the reasonableness of key assumptions underlying the planned cash inflows and outflows and assessing their consistency with our understanding of the business and industry developments, and historical data. The analysis of the financial position and performance of the related party borrowers was also a key procedure to assess any significant increase in credit risk.

We have also assessed the relevance and adequacy of disclosures relating to loans receivable from related companies presented in notes 1.2, 8 and 9 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on the audit of the financial statements - continued

Other information

The directors are responsible for the other information. The other information comprises the directors' report and the statement of compliance with the principles of good corporate governance, which we obtained up to the date of this auditor's report. However, the other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon 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 and those charged with governance 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on the audit of the financial statements - continued

Auditor's responsibilities for the audit of the financial statements - continued

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

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on other legal and regulatory requirements

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

Directors' report

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

Other requirements

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; and
- 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.

Appointment

We were appointed as the statutory auditor by the directors of the Company with effect from 19 October 2018. The total uninterrupted engagement period as statutory auditor amounts to 1 year.

Consistency with the additional report to the audit committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which was issued on the same date as this report.

Non-audit services

No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company, and we remain independent of the Company as described in the Basis for opinion section of our report.

No other services besides statutory audit services and services disclosed in the annual report and in the financial statements were provided by us to the Company.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Von der Heyden Group Finance p.l.c. - continued

Report on other legal and regulatory requirements - continued

Matters on which we are required to report by the Listing Rules

Corporate governance statement

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

The Listing Rules also require the auditor to include a report on the statement of compliance prepared by the directors. We are also required to express an opinion as to whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5.

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

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

In our opinion:

- the corporate governance statement set out on pages 7 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority
- in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit the information referred to in Listing Rules 5.97.4 and 5.97.5 are free from material misstatement



*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

24 April 2019

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2018 €	2017 €
ASSETS			
Non-Current assets			
Loans receivable	8	20,276,745	21,700,000
Current Assets			
Loans and other receivables	9	4,108,036	874,477
Cash and cash equivalents	14	1,402,389	3,098,627
		5,510,425	3,973,104
TOTAL ASSETS		25,787,170	25,673,104
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	250,000	250,000
Accumulated losses		(171,466)	(235,294)
TOTAL EQUITY		78,534	14,706
Non-Current liabilities			
Borrowings	12	24,791,849	24,750,219
Current liabilities			
Trade and other payables	13	916,787	908,179
TOTAL LIABILITIES		25,708,636	25,658,398
TOTAL EQUITY AND LIABILITIES		25,787,170	25,673,104

The notes on pages 20 to 36 are an integral part of these financial statements

The financial statements on pages 16 to 36 have been authorised for issue by the Board of Directors on 24 April 2019 and were signed on its behalf by:



Sven von der Heyden
Director



Robert Hendrik Rottinghuis
Director

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2018 €	15.09.2016 to 31.12.2017 €
Finance income	5	1,543,855	1,104,314
Finance costs	6	(1,141,630)	(929,032)
Net interest earned		402,225	175,282
Administration expenses		(309,981)	(410,555)
Movement in expected credit losses of financial instruments		31,446	-
Profit/(Loss) before tax		123,690	(235,273)
Taxation	7	(19)	(21)
Profit/(Loss) for the financial year/period		123,671	(235,294)
Other comprehensive income for the financial year/period		-	-
Total comprehensive income/(loss) for the year/period		123,671	(235,294)
Earnings per share		€0.49	(€1.19)

The notes on pages 20 to 36 are an integral part of these financial statements

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

STATEMENT OF CHANGES IN EQUITY

	Share Capital €	Accumulated Losses €	Total Equity €
<i>Financial period ended 31 December 2017</i>			
Issue of Share Capital	250,000	-	250,000
Total comprehensive loss for the period:			
<i>Loss for the financial period</i>	-	(235,294)	(235,294)
Balance as at 31 December 2017	<u>250,000</u>	<u>(235,294)</u>	<u>14,706</u>
<i>Financial year ended 31 December 2018</i>			
Balance as at 1 January 2018	250,000	(235,294)	14,706
Loss allowance at 1 January 2018 under IFRS 9	-	(59,843)	(59,843)
	<u>250,000</u>	<u>(295,137)</u>	<u>(45,137)</u>
Total comprehensive income for the year:			
<i>Profit for the financial year</i>	-	123,671	123,671
Balance at 31 December 2018	<u>250,000</u>	<u>(171,466)</u>	<u>78,534</u>

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

STATEMENT OF CASH FLOWS

	As at 31 December	
	2018	2017
Note	€	€
Cash flow from operating activities		
Profit/(Loss) before tax	123,690	(235,273)
Adjustment for:		
Interest income	(1,543,855)	(1,104,314)
Interest on bonds payable	1,100,000	895,278
Amortisation of bond issue costs	41,630	33,754
Movement in loss allowance under IFRS 9	(31,446)	-
Loss from operations	(309,981)	(410,555)
Decrease/(Increase) in loans and other receivables	553	(150,553)
Increase in trade and other payables	8,609	12,901
Tax paid	(19)	(21)
Net cash flows used in operating activities	(300,838)	(548,228)
Cash flows from investing activities		
Loans to related parties	(2,531,745)	(21,700,000)
Loan repayments from related parties	1,405,000	-
Interest received	831,345	380,390
Interest paid	(1,100,000)	-
Net cash flows used in investing activities	(1,395,400)	(21,319,610)
Cash flows from financing activities		
Proceeds from issuance of equity shares	-	250,000
Net proceeds from issuance of bonds	-	24,716,465
Net cash flows from financing activities	-	24,966,465
Net movement in cash and cash equivalents	(1,696,238)	3,098,627
Cash and cash equivalents at beginning of year/period	3,098,627	-
Cash and cash equivalents at end of year/period	14 1,402,389	3,098,627

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

1.1 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 the Maltese Companies Act, 1995.

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 Company's accounting policies.

These financial statements are presented in Euro (€) 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.

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

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company'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 Company'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 (FVPL), 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 FVPL, 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.

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 FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

NOTES TO THE FINANCIAL STATEMENTS – continued

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

The Company 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 Company has adopted IFRS9 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 Company is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, 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.

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

Loss allowance on loans and other receivables as at 31 December 2017: €59,843

Transition

The Company 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

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

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 Company's accounting periods beginning after 1 January 2019, including IFRS 16 'Leases'. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 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 Company has adopted the following accounting policies to its financial instruments.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured 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 Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

Subsequent measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.2 Financial instruments – continued

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company 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 OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.2 Financial instruments - continued

Financial assets at fair value through profit or loss

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, as described above, 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.

The Company holds no financial assets at fair value through OCI or profit or loss.

Derecognition

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

- The rights to receive cash flows from the asset have expired
- Or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement

Impairment of financial assets

The Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.2 Financial instruments - continued

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.

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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.2 Financial instruments - continued

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 Company had applied IAS 39. As a result, the comparative information provided continues to be accounted for in accordance with the Company'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 Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.3 Impairment

The carrying amount of the Company'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.

1.4 Cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost.

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding overdrafts.

1.5 Borrowing costs

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

1.6 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 Company.

1.7 Ordinary shares

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

NOTES TO THE FINANCIAL STATEMENTS - continued

1. Summary of significant accounting policies – continued

1.8 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.

1.9 Related Parties

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

2. Significant accounting judgments, estimates and assumptions

In preparing the financial statement, 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 judgement 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 are 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'.

Provision for expected credit losses of financial assets

The Company assesses the credit risk of financial instruments within the scope of impairment for significant increase since initial recognition at the reporting date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk is 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, by reference to an analysis of the financial performance and position of related party borrowers. The assessment of ECLs is a significant estimate, since the amount thereof is sensitive to changes in circumstances and of forecast economic conditions. The Company's ECLs are disclosed in Note 9.

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS - continued

3. Going Concern

On 8 March 2017 the Company issued 25,000 4.4% redeemable bonds of €1,000 each to the public. The proceeds received therefrom were advanced to related companies at an annual interest rate of 7.5%.

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

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

4. Expenses by nature

	2018	15.09.2016 to 31.12.2017
	€	€
Staff costs (i)	207,519	221,440
Auditor's fees (ii)	4,700	2,640
Formation costs	-	6,745
Other expenses	97,762	179,730
	309,981	410,555

(i) Staff costs for the periods include the following:

	2018	15.09.2016 to 31.12.2017
	€	€
Directors' fees and remuneration	180,319	203,840
Salaries and wages	27,200	17,600
	207,519	221,440

The average number of persons employed by the Company during the year was 6 (2017: 6)

(ii) Fees charged by the auditor for services rendered during the periods were the following:

	2018	15.09.2016 to 31.12.2017
	€	€
Annual statutory audit	3,500	2,640
Tax compliance services	1,200	-
	4,700	2,640

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS - continued

5. Finance Income

	2018	15.09.2016 to 31.12.2017
	€	€
Interest receivable from loans to related parties	1,543,721	1,104,177
Bank interest receivable	134	137
	<u>1,543,855</u>	<u>1,104,314</u>

6. Finance costs

	2018	15.09.2016 to 31.12.2017
	€	€
Interest on bonds payable	1,100,000	895,278
Amortisation of bond issue costs	41,630	33,754
	<u>1,141,630</u>	<u>929,032</u>

7. Taxation

The tax charged to profit or loss comprised the following

	2018	15.09.2016 to 31.12.2017
	€	€
Current tax charge	<u>19</u>	<u>21</u>

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

VON DER HEYDEN GROUP FINANCE P.L.C.
Annual Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS – continued

7. Taxation - continued

	2018 €	15.09.2016 to 31.12.2017 €
Profit/(loss) before tax	123,690	(235,273)
Theoretical tax charge/(credit) at 35%	43,292	(82,346)
Tax effect of:		
Movement in deferred tax asset not recognised	(43,246)	75,874
Non-deductible expenses	-	6,520
Lower tax rate on interest income	(27)	(27)
	19	21

As at 31 December 2018, the Company had unutilised tax losses amounting to €124,673 (2017: €216,783). Net of the effect of expected credit losses on trade and other receivables, these losses gave rise to a deferred tax asset of €32,628 (2017: €75,874), which has not been recognised in these financial statements, in view of the potential uncertainty that future taxable profits will be available to absorb such asset.

8. Loans receivable

	2018 €	2017 €
Loans receivable from parent undertaking	-	1,750,000
Loans receivable from ultimate parent company	5,750,000	6,200,000
Loans receivable from other group undertakings	13,101,745	11,550,000
Loans receivable from other related parties	1,425,000	2,200,000
	20,276,745	21,700,000

These represent loans advanced to related companies from the net proceeds of the bond issue. They are subject to an interest rate of 7.5% except for €4,750,000 which is subject to interest at an annual rate of 4.4%. The loans are repayable as follows:

	€	€
between 1 and 2 years	520,000	1,825,000
between 3 and 5 years	4,506,745	2,480,000
after 5 years but not later than 1 March 2024	15,250,000	17,395,000
	20,276,745	21,700,000

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

9. Loans and other receivables

	2018 €	2017 €
Loans receivable from parent undertaking	2,400,000	150,000
Loans receivable from other group undertakings	300,000	
Accrued interest on loans receivable	1,436,433	723,924
Prepayments	-	553
	<u>4,136,433</u>	<u>874,477</u>
Less : Loss allowance at 31 December under IFRS 9	(28,397)	-
	<u>4,108,036</u>	<u>874,477</u>

The amounts owed by the parent undertaking and other group undertakings are subject to an annual interest of 7.5% and are payable by 31 December 2019.

The parent company, Timan Investments Holdings Limited, has provided a corporate guarantee in favour of the Company to effect the due and punctual performance of all the payment obligations undertaken by the related party borrowers under these loans and those disclosed in note 8 if the said borrowers fail to do so.

10. Share capital

	2018 €	2017 €
Authorised, issued and fully paid up		
249,999 Ordinary 'A' Shares of €1 each	249,999	249,999
1 Ordinary 'B' Share of €1 each	1	1
	<u>250,000</u>	<u>250,000</u>

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

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

11. Earnings per share

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

	2018 €	2017 €
Profit/(Loss) for the year/period	<u>123,671</u>	(235,294)
Weighted number of ordinary shares	<u>250,000</u>	198,386
Earnings per share	<u>0.49</u>	(1.19)

12. Borrowings

	2018 €	2017 €
Non-current		
4.4% Bonds redeemable on 8 March 2024	<u>24,791,849</u>	<u>24,750,219</u>

During 2017 the Company issued an aggregate principal amount of €25 million bonds (2017-2024), having a nominal value of €1,000 each, bearing interest at the rate of 4.4% per annum. The bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 30 January 2017. The quoted market price as at 31 December 2018 for the 4.4% Bonds 2017 - 2024 was 102.48 (2017: 99.50).

The parent 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 Von der Heyden Group Finance p.l.c. under the bonds if the Company fails to do so.

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

	2018 €	2017 €
Proceeds	<u>25,000,000</u>	<u>25,000,000</u>
Less:		
Issue Costs	<u>283,535</u>	283,535
Accumulated amortisation	<u>(75,384)</u>	(33,754)
	<u>208,151</u>	<u>249,781</u>
	<u>24,791,849</u>	<u>24,750,219</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

13. Trade and other payables

	2018 €	2017 €
Trade payables	1,728	112
Accrued interest on bonds payable	895,278	895,278
Accruals	19,781	6,583
FSS payable	-	6,206
	<u>916,787</u>	<u>908,179</u>

14. Cash and Cash Equivalents

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

	2018 €	2017 €
Bank balances	<u>1,402,389</u>	<u>3,098,627</u>

15. Related party transactions

The Company's related parties include its parent company, fellow subsidiaries, key management and all other parties forming part of the Group of which Timan Investments Holdings Limited is the parent.

Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations. During the year, the Company has effected advances to these entities as disclosed in note 8 to the financial statements. Interest receivable on these advances is disclosed in note 5 at the accrued interest receivable at period-end is disclosed in note 9 to the financial statements

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

16. Financial instruments

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

At the year end, the Company's main financial liabilities in the statement of financial position comprise bonds payable and trade and other payables. At the year end, there were no off-balance sheet financial liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

16. Financial instruments – continued

Timing of cash flows

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

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 12, equity attributable to equity holders, comprising issued share capital and retained earnings as disclosed in Note 10 to these financial statements and in the statement of changes in equity.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Company to concentrations of credit risk consist principally of loans advanced to related companies and the accrued interest thereon and cash at bank.

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

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, as disclosed in notes 8, 9 and 14.

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise the bonds payable in issue and the trade and other payables disclosed in notes 12 and 13. 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 Company's obligations.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – continued

16. Financial instruments – continued

Liquidity table

	Within 1 year €	1 to 2 years €	2 to 5 years €	Over 5 years €	Total €
31 December 2018					
Trade payables	1,728	-	-	-	1,728
Debt securities in issue	1,100,000	1,100,000	3,300,000	26,100,000	31,600,000
	<u>1,101,728</u>	<u>1,100,000</u>	<u>3,300,000</u>	<u>26,100,000</u>	<u>31,601,728</u>
	Within 1 year €	1 to 2 years €	2 to 5 years €	Over 5 years €	Total €
31 December 2017					
Trade payables	12,891	-	-	-	12,891
Debt securities in issue	1,100,000	1,100,000	3,300,000	27,200,000	32,700,000
	<u>1,112,891</u>	<u>1,100,000</u>	<u>3,300,000</u>	<u>27,200,000</u>	<u>32,712,891</u>

Interest rate risk

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

Fair values

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

17. Statutory information

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

Von der Heyden Group Finance p.l.c. is a subsidiary of Timan Investments Holdings Limited, a company registered in Malta, with its registered address at East 14, Level 8, Sliema Road, Gzira, GZR 1639, Malta. Timan Investments Holdings Limited owns 100% of the voting capital of the Company.

The ultimate parent company is Von der Heyden Group Holdings S.à R.L. a company registered in Luxembourg, with its registered address at L-6138 Junglinster 32, rue Marthe Prim-Welter, Luxembourg.

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