

# Victoria House Group

## Directors' Report 2019



**2019**

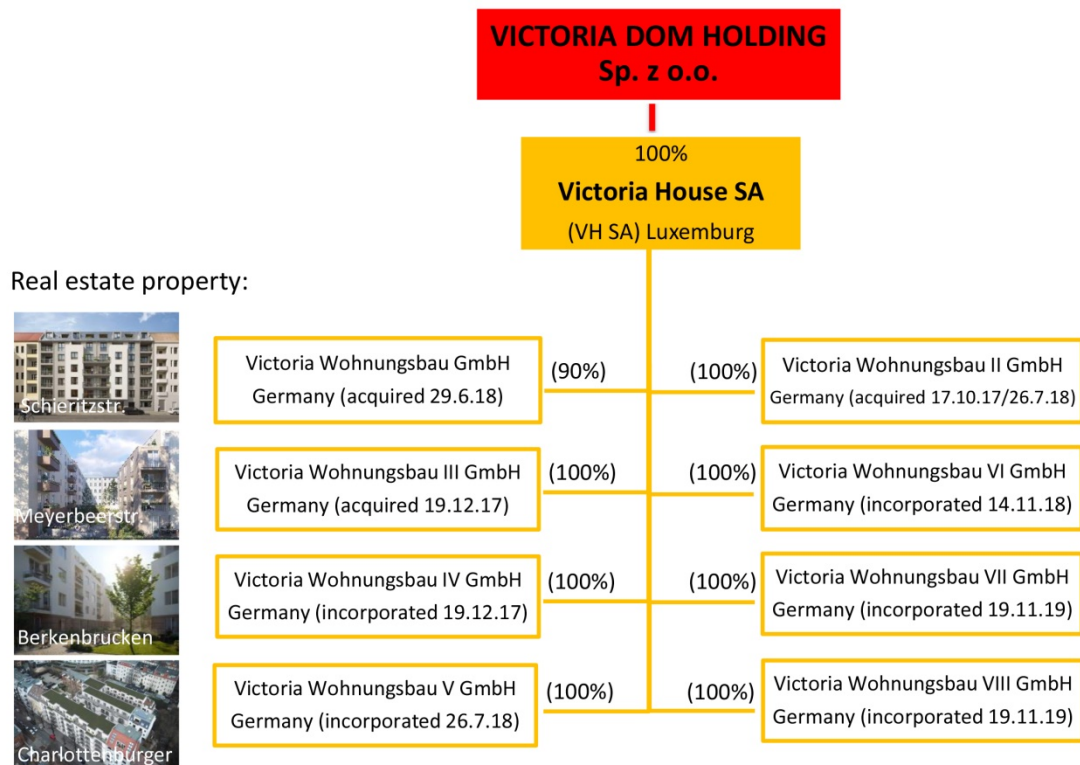
10 June 2020

## I. Group Overview

### Basic information

Victoria House (VH) is part of Victoria Dom Holding (VDH) Group which is a family owned business operating on the residential property development market in Poland for over 20 years. The entity was established in August 2017 with a purpose to expand and *finance* emerging international activities of the VDH Group.

As of 31 December 2019 VH holds a majority stake in 8 subsidiaries, where of 4 own real estate property to develop residential projects in Berlin. The current structure of the VH Group is presented below.



### Group performance

The year 2019 was a significant milestone in developing the potential of the VH Group. After a strong first year as a cornerstone in funding land acquisition, the second year of operations allowed finalising the construction of the first project and putting another two on the market. During 2019 the first residential project was fully sold/notarised and financed from customers' advance payments. It will be handed over to individual buyers during Q3-2020 to enable recognition of revenue earned.

As of the report's date VH Group companies own real estate properties to develop six residential projects, out of which two were acquired during 2020 whereof one in Leipzig. Three projects has already been offered to market and other two are under engineering and construction permit approval to be offered by end of 2020. The current land bank allows VH Group to construct over 300 apartments by mid of 2023. Our projects are designed to individual customers looking for good quality living space in quiet locations and good access to the city centre. The projects are distinguished by affordable prices, well-designed layouts and easily reachable locations. The below map visualises locations of projects executed in Berlin.



During 2019 the sister company of VH - Victoria Dom S.A. (VD), which conducts development activities in Poland - has completed nearly 1,300 apartments (in total over 5,000 residences since inception). VD is currently constructing further 2,100 units most of which will be completed by the end of the current year. VD has become the leading residential developer in Poland and the 1<sup>st</sup> on Warsaw market in terms of number of sold units during Q1-20. The business is focused on the construction of multi-family houses and their sales to end customers. The success story of VD was made on meticulously designed apartments, their broad selection, competitive prices and outstanding project management.

## Board of Directors

The Board of VH consists of four directors, whereof two are independent from VDH Group:

- Michał Jasiński, the main Shareholder, President of VDH and VD,
- Waldemar Wasiluk, Group CFO, Managing Director in German subsidiaries
- Pascal Pech, Hauck & Aufhäuser Alternative Investment Services S.A.
- Richard Brekelmans, independent Director

## Group Financing

VH issued corporate bonds of 18,500,000 euro in October/November 2017 to finance acquisition of real estates in Berlin. The coupon of 4% fixed annual rate is paid twice a year. The maturity date for the bonds is 19 October 2022.

The VH Group companies use the proceeds from the bonds in a form of loans to purchase land. Development of residential projects is financed through external loans or customers' advances. The current status of external loans borrowed by VH Group companies is presented below.

Entity *	Borrower	Loan principle [EUR]	Interest rate [% p.a.]
<b>VWB I</b>	Victoria Dom S.A.	2 600 000	8%; no other fees
<b>VWB III</b>	Deutsche Kreditbank AG	2 243 000	EURIBOR + 2.5%
<b>VWB IV</b>	Deutsche Kreditbank AG	2 210 000	EURIBOR + 2.5%
<b>VWB V</b>	Bankhause Lampe KG	4 597 284	2.95%

\* VWB I = Victoria Wohnungsbau GmbH;  
VWB IV = Victoria Wohnungsbau IV GmbH;

VWB III = Victoria Wohnungsbau III GmbH;  
VWB V = Victoria Wohnungsbau V GmbH;

All profits from sale of real estates are being reinvested within the VH Group for further acquisitions and scale growth. In 2019 VH received a dividend of 2.5M euro from Victoria Wohnungsbau II GmbH after sales of a project to a financial investor. During 2020 VH will investigate a new issue of bonds and/or shares to intensify the growth of activities.

## II. Group Consolidated Financial Statements

### Balance Sheet

		<u>31.12.2019</u>	<u>31.12.2018</u>
	Notes	EUR	EUR
Fixed Assets	(1)	517 560	368 720
Inventory	(2)	28 064 355	22 602 062
Receivables	(3)	175 998	298 994
Prepaid expenses	(4)	397 384	130 443
Cash at bank		3 400 523	2 692 663
<b>Total Assets</b>		<b>32 555 820</b>	<b>26 092 882</b>
Share capital	(5)	150 000	150 000
Reserve capital		100 000	100 000
Retained/consolidated earnings		2 393 734	-149 900
Net profit / (loss)		-1 471 929	2 543 665
<b>Own Equity</b>		<b>1 171 805</b>	<b>2 643 765</b>
Minority interest	(6)	-16 192	-9 582
Reserves / accrued tax	(7)	1 199 121	1 208 693
Deferred income	(8)	7 397 461	0
Bonds	(9)	17 500 000	18 500 000
Long-term loans	(10)	4 986 104	3 321 956
Interest liability		140 000	148 000
Accounts payable		117 963	276 210
Other liabilities	(11)	59 558	3 840
<b>Liabilities</b>		<b>31 400 208</b>	<b>23 458 699</b>
<b>Equity &amp; Liabilities</b>		<b>32 555 820</b>	<b>26 092 882</b>

### Income Statement

		<u>2019</u>	<u>2018</u>
	notes	EUR	EUR
Net Sales		1 521	28 975 112
Cost of Sales		0	-23 143 456
<b>Profit on Sales</b>	(12)	<b>1 521</b>	<b>5 831 656</b>
Operating cost		-520 101	-1 133 287
<b>Operating Profit / (Loss)</b>		<b>(518 580)</b>	<b>4 698 369</b>
Financial income		101	10 066
Financial costs	(13)	-948 367	-1 061 109
<b>Gross Profit / (Loss)</b>		<b>(1 466 846)</b>	<b>3 647 326</b>
Income Tax		-11 693	-1 116 508
<b>Net Profit / (Loss)</b>		<b>(1 478 539)</b>	<b>2 530 818</b>
<i>whereof minorities:</i>		-6 610	-12 847
Profit / (Loss) to Own Equity		(1 471 929)	2 543 665

## Notes

- (1) Fixed assets as of 31.12.19 comprise of goodwill from purchase of shares in subsidiaries above their book value in the amount of € 228,892; tangible fixed assets of €288,148 (VWB II); and participation in cooperative banks of € 520.
- (2) Inventory represents the value of land at their purchase cost plus capitalized development cost of residential projects in Berlin (work in progress) as follows:

At 31.12.2019	Entity *	Plot purchase value	Development cost
Schieritzstraße	VWB I	2 844 000	4 678 638
Mayerbeerstraße	VWB III	3 728 795	2 004 415
Berkenbrücker Stieg	VWB IV	4 082 925	531 143
Charlottenburgerstraße	VWB V	9 912 172	282 266
<b>TOTAL</b>		<b>20 567 892</b>	<b>7 496 463</b>

At 31.12.2018	Entity *	Plot purchase value	Development cost
Schieritzstraße	VWB I	2 844 000	1 769 657
Mayerbeerstraße	VWB III	3 728 795	179 698
Berkenbrücker Stieg	VWB IV	4 082 925	84 012
Charlottenburgerstraße	VWB V	9 912 172	804
<b>TOTAL</b>		<b>20 567 892</b>	<b>2 034 170</b>

- (3) Receivables consist of amounts due from customers, taxes or deposits. As of 31.12.19 the amount referred mainly to a disputed portion of 2018 land sales price of € 80,000 (VWB II); security deposits paid to local authorities of € 45,600 (VWB I & VWB III); and Vat receivable of € 34,644 (VWB II).
- (4) Prepaid expenses refer to paid sales broker fees related to income that was not yet recognised in the current period (VWB I) and capitalised holding company formation cost. As of 31.12.19 these amounted to € 342,154; and 55,231 respectively.
- (5) Share capital represents the nominal value of shares of VH SA, classes A to J, fully paid in by Victoria Dom Holding, the sole shareholder.
- (6) Profits and losses in subsidiaries where the share capital is not fully held are not consolidated within retained earnings. The loss attributed to minority shareholder in VWB I (VD SA) is excluded from the own own equity as below:

	Share capital		Prior years	Net profit/loss	TOTAL
<b>31.12.2019</b>	10%	10 000	(19 582)	(6 610)	<b>(16 192)</b>
<b>31.12.2018</b>	10%	10 000	(6 735)	(12 847)	<b>(9 582)</b>

- (7) Reserves consist of accrued amounts of future liabilities (accounting, tax and legal) that relate to the current year. The predominant one refers to corporate income tax of VWB II for the year 2018 which was accrued in the amount of € 1,111,693.
- (8) Deferred income refers entirely to payments from customers for apartments received by VWB I in line with the progress of construction as per signed sales agreements for the project at Schieritzstraße.
- (9) Bonds refer to series I EUR 18,500,000 bonds issued by VH SA and traded on the Euro MTF market of the LuxSE with maturity in 2022. A decrease in its amount during the year results from purchase of bonds by a group company (VWB II) for € 1,000,000. Respective interest of 4% per annum was accrued for a period since last interest payment date for € 140,000 and reported as interest liability due within 4 months.
- (10) Long-term loans relate to loans from minority shareholder at VWB I and a bank loan to VWB III. The principle amount with accrued interest were respectively as follows:
- | <b>Borrower* (Lender)</b> | <b>Year Due</b> | <b>31.12.2018</b> | <b>31.12.2018</b> |
|---------------------------|-----------------|-------------------|-------------------|
| VWB I (Victoria Dom)      | 2022            | 2 986 104         | 3 321 956         |
| VWB III (DKB Bank)        | 2021            | 2 000 000         | 0                 |
- (11) Other liabilities refer to payments due to suppliers or employees. As of 31.12.19 the major amount referred to guarantees held from a general contractor at Mayerbeerstraße of VWB III for the amount of € 58,750 due above 1 year.
- (12) The profit on sales in 2018 refers mainly to the sale of a project located at Gäblerstraße which was completed by VWB II. Revenue from other projects developed by the VH Group companies in Germany will be recognized when apartments are ready and handed-over to clients, which is expected in 2021 for VWB I and following years for other projects.
- (13) The financial cost refer to interest paid on / accrued for bonds issued by VH SA (€ 370,000 paid semi-annually) and loans from (minority) shareholders.