



# Consolidated Financial Statements

for the year ended 31 December 2019

**Consolidated  
Financial Statements**  
for the year ended  
31 December 2019

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# Board of Managers Report



Vivion Investments S.à r.l., (the “**Company**” or “**Vivion**” and together with its consolidated subsidiaries the “**Group**”) hereby presents its annual report including its audited consolidated financial statements for the year ended 31 December 2019. The Company is a commercial real estate company, focusing on the ownership, management, improvement and selective acquisition and disposal of properties predominantly in the United Kingdom and Germany.

The Company was formed in Luxembourg on 19 October 2018 and was registered with the Luxembourg Register of Trade and Companies (*Registre de Commerce et des Sociétés Luxembourg*) on 26 October 2018 under number B228676. The Company has its registered address at 155 Rue Cents, L-1319, Luxembourg.

The issued and fully paid share capital of the Company as at 31 December 2019 was EUR 12,002 divided into 12,002 shares with nominal value of EUR 1 each.

The Consolidated Financial Statements of Vivion are included in the Consolidated Financial Statements of Matanya Holdings Limited, being the largest and smallest body of which Vivion forms part as subsidiary.

## Important events in 2019 and future developments

### ***Hotel restructuring***

In August 2019 we completed the transfer of our hotel operations from our UK Portfolio to affiliated operating companies outside of the Group (the “Hotel OpCos”), whereby the operations of forty-six hotels were transferred outside of the Group and long-term operational leases have been entered into between the relevant property-owning companies within the Group (each a “Hotel PropCo”) and the Hotel OpCos (the “PropCo Reorganisation”). Subsequent to the PropCo Reorganisation all our UK portfolio is leased in long term operational leases.

### ***Significant acquisitions and disposals***

In January 2019 the Group acquired 26 hotels in the United Kingdom in a share deal for a consideration of GBP 55.0 million (EUR 62.8 million). As part of the asset and liabilities acquired, the Group acquired third party liabilities in the amount of GBP 167.0 million (EUR 190.6 million). In order to repay these liabilities on the day of acquisition, the Group received a bank loan on the same day of GBP 133.6 million (EUR 152.5 million).

During the Reporting Period, the Group gained control over 15 properties through acquisitions of companies. The acquisitions were completed for a total consideration of EUR 875.2 million primarily located in Germany.

In June 2019 the Group completed the sale of one of its subsidiaries, which owned a property in Germany for a selling price of EUR 110.0 million, subject to working capital and other pricing adjustments.

In December 2019 the Group completed the disposal of one hotel in London for a consideration of GBP 90 million (EUR 105.8 million), subject to working capital adjustments. The Group recognized a profit from the disposal of the hotel of GBP 24.0 million (EUR 28.3 million) in the

reporting period.

### **Financing**

On 8 August 2019 the Company issued its EUR 700 million 3.000% senior notes due 2024. On 1 November 2019 the Company issued its EUR 300 million 3.500% senior notes due 2025.

On 30 August 2019 and 3 September 2019, the Group repaid existing bank loans, with the proceeds of the senior notes due 2024. Both a Euro Loan was repaid in amount of EUR 81.9 million as well as GBP denominated loans in aggregated amount of GBP 316.7 million (EUR 350.5 million).

As part of an asset acquisition in January 2019, the group acquired bank loans in aggregate amount of EUR 52 million with an annual weighted average interest rate of 2.25%.

On 30 September 2019, the Group refinanced an existing bank loan in amount of EUR 105.1 million with 3M Euribor + 1.54%, maturing September 2024.

On 2 October 2019, a subsidiary of the Group received a bank facility agreement in the amount of EUR 102.3 million, of which EUR 95.5 million have been drawn down as of the Reporting Date. The loan bears an interest rate of 3M Euribor + 1.80%, maturing October 2026.

On 11 September 2019 the internationally renowned rating agency S&P Global Ratings assigned a rating of "BB" with a stable outlook to the Company. In addition, S&P Global Ratings assigned a rating of "BB+" to the 2024 Senior Notes. On 24 October 2019 S&P Global Ratings assigned a rating of "BB+" to the 2025 Senior Notes. The company's rating remained unchanged as at 31 December 2019.

### **Dividend**

No dividend was declared in respect of the 2019 financial year.

### **Establishing the management board**

The table below lists the current members of the Company's Board of Managers

Name of manager	Initial appointment	End of current term
Sascha Hettrich	4 July 2019	Appointed for indefinite period of time
Ella Raychman	4 July 2019	Appointed for indefinite period of time
Oliver Wolf	21 November 2018	Appointed for indefinite period of time
Jan Fischer	21 November 2018	Appointed for indefinite period of time

### **Appointment of auditor**

KPMG Luxembourg, Société coopérative was appointed as the auditor of the Company for the financial year ended 31 December 2019 on 3 June 2019.

### **Future developments**

The Group intends to further pursue its strategy of optimizing the portfolio management of its hotel and commercial properties. The Group's primary strategy is to generate rental income

from long-term leases set at stable rental levels, leased to high-quality tenants. We strive to maximise this top-line growth through proactive asset management, marketing efforts and leveraging the location of our assets. The implementation of the strategy is sought through vigilant asset management, including control, monitoring and active portfolio management of the Group's real estate portfolio. Through this, the Group aims to protect and further optimize the overall quality and profitability of its portfolio.

## **Review of the Group's business and financial position**

Revenues for the year ended 31 December 2019 increased by approximately 44% in comparison to the previous year. 61% of this revenue is generated through the hotel operational business in the United Kingdom; 18% is generated through rental income of the German commercial properties. As the Propco reorganisation was completed during Q3 2019, the Group still generated revenues through hotel operations. Following the Propco reorganisation 21% of revenue is generated from rental income in the United Kingdom. As per the Reporting date the Group only generates revenue from rental income.

The Group generated an operating profit, adjusted for valuation gains, profit on disposals and bargain purchase gain, of EUR 119.5 million (2018: 66.8 million).

Investment property as at 31 December 2019 amounts to EUR 3.7 billion (2018: EUR 2.0 billion) at fair value. During the year the Group realized a fair value increase of EUR 521.4 million.

The Group has loans from credit institutions in amount of EUR 763 million and notes EUR 1 billion as at 31 December 2019.

In addition, to its external debt, the Group received shareholder loans in aggregate amount of EUR 1.2 billion. The shareholder loans are subordinated to the credit institutions loans.

## **Principal risks and uncertainties**

The Group applies policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and capital management risks. A more detailed description of risk management is available in Note 22 of these Financial Statements.

## **Corporate Governance**

As a private company, the Company is not subject to any mandatory corporate governance code of conduct or respective statutory legal provisions. The Board of Managers of the Company has established the Committees of the Board of Managers and the Advisory Board to enhance a standard of internal supervision of and advice to the Board of Managers.

Furthermore, the Board of Managers has full discretion to establish the committees that it deems useful, appoint and dismiss their members and to determine their organisation, responsibilities, powers

and procedures in internal regulations adopted by way of a resolution. Committees have no powers to represent the Company towards third parties under the Articles of Association or by law. They provide non-binding expert advice and assistance to the Board of Managers. The Company has established the following committees:

### ***Audit Committee***

The Board of Managers established an audit committee. The audit committee operates under the following terms of reference: The Board of Managers decides on the composition, tasks and term of the audit committee as well as the appointment and dismissal of its members. The audit committee of the Company has no statutory powers under Luxembourg corporate law or the Articles of Association, but applies rules which have been adopted by the Board of Managers. The Company considers the establishment of the audit committee an important element to procure the adequateness of the Group's accounting and preparation of its financial statements. The responsibilities of the audit committee relate to the integrity of the financial statements, including reporting to the Board of Managers on its activities and the adequacy of internal control systems over financial reporting process and of monitoring of the accounting process. The audit committee shall provide guidance to the Board of Managers about the audit of the annual financial statements of the Company and shall monitor in particular the independence of the auditor, the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

### ***Investment Recommendation Committee***

The Board of Managers established an investment recommendation committee. The investment recommendation committee operates under the following terms of reference: The Board of Managers decides on the composition, tasks and term of the investment recommendation committee as well as the appointment and dismissal of its members. The investment recommendation committee of the Company has no statutory powers under Luxembourg corporate law or the Articles of Association, but applies rules which have been adopted by the Board of Managers. The Company considers the establishment of the investment recommendation committee an important element in the process of new acquisitions of properties and property portfolios. Based on their experience and professional background, the members of the investment recommendation committee shall render expert advice to the Board of Managers when deciding on the acquisition of new properties, at two stages of the acquisition process: for the first time, immediately after an initial screening process of the property including a SWOT analysis and a business plan and a second time, the final terms have been negotiated. Any approval or denial from the investment recommendation committee does not have binding effect, but rather function as advice the Board of Managers should take into consideration when finally deciding upon an acquisition.

### ***Risk Committee***

The Board of Managers established a risk committee. The risk committee operates under the following terms of reference: The Board of Managers decides on the composition, tasks and term of the risk committee as well as the appointment and dismissal of its members. The risk committee of the Company has no statutory powers under Luxembourg corporate law or the Articles of Association, but applies rules which have been adopted by the Board of Managers. The Company considers the establishment of the risk committee an important element in its



current growth phase enabling the Company to continuously review and improve its risk management system, by providing expert advice in identifying risks inherent to the business of the Company and the applicable regulatory framework and proposing to the Board of Managers measures to mitigate so identified risks.

### ***Advisory Board***

In addition to the committees, the Board of Managers of the Company established an advisory board ("Advisory Board"). The Board of Managers may decide on the composition, mandate and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board shall provide expert advice and assistance to the Board of Managers. The Advisory Board has no statutory powers under the Luxembourg Companies Law or the Articles of Association. It applies rules adopted by the Board of Managers. The Company considers the Advisory Board to be an important source of guidance for the Board of Managers when making strategic decisions. The current members of the Advisory Board are Mr. Amir Dayan, Ms. Beatrice Ruskol and Mr. Stefan Kirsten.

## **Important events after the balance sheet date**

### ***Capital Contributions***

On 6 January 2020, the Group received additional capital contributions amounting to EUR 250 million from Vivion's controlling shareholder.

In March 2020, Golden Capital Partners S.A., a subsidiary of the group, completed a capital increase in which Vivion and Golden co-investors contributed capital in the aggregate amount of EUR 556.6 million.

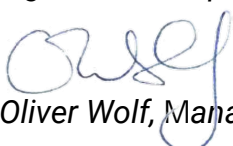
### ***Covid-19 update***

The Coronavirus pandemic has created unprecedented disturbance to global civilisation and the economy. The Company's resilient capital structure together with the geographic, asset and tenant diversification within its real estate portfolio places it in a strong position to manage this currently challenging market environment.

The Group's portfolio has not seen any material deviation in top line performance across both the UK and Germany: all rents have been received for the UK portfolio up until and including June 2020 and only a small portion of tenants in Germany have requested rent deferrals, for which short-term solutions will be sought together with the tenant.

The Group is continuously monitoring the portfolio for all developments regarding Covid-19 and is following all guidance. The Group has also implemented a programme to actively reduce operating expenses, postpone non-essential capital expenditure where realistically possible and make use of any relevant facilities or arrangements provided by the various national authorities to assist companies through the crisis. The Group is already prepared to increase the scope of these measures if the crisis were to persist for an extended period.

*Signed on 23 April 2020 by:*



*Oliver Wolf, Manager*



*Jan Fischer, Manager*



# Consolidated Financial Statements 2019





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Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the audit of the consolidated financial statements***

#### ***Opinion***

We have audited the consolidated financial statements of Vivion Investments S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Other information***

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated report of the Board of Managers but does not include the consolidated financial statements and our report of the “Réviseur d’Entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 this fact. We have nothing to report in this regard.

### ***Responsibilities of the Board of Managers and Those Charged with Governance for the consolidated financial statements***

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing 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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

### ***Responsibilities of the Réviseur d’Entreprises agréé for the audit of the consolidated financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “Réviseur d’Entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.



As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of the Board of Managers' 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 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 report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated 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 report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 and 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 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.

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.





***Report on other legal and regulatory requirements***

The consolidated report of the Board of Managers is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 23 April 2020

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

M. Weber

A handwritten signature in blue ink, appearing to read 'M. Weber', positioned above the printed name.

## Consolidated statement of financial position

### Assets

	Note	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Non-current assets</b>			
Investment property	6	3,708,610	2,047,708
Advance payments for investment properties	5D, 23	29,973	111,451
Investment and loans to equity-accounted investee	11B	13,890	-
Property, plant and equipment		148	311
Derivative financial instruments	4	324	3,686
Restricted bank and other deposits		21,707	22,557
Other financial assets		18,982	1,712
<b>Total non-current assets</b>		<b>3,793,634</b>	<b>2,187,425</b>
<b>Current assets</b>			
Trade and other receivables	8	49,212	25,074
Prepayments		2,132	5,553
Inventories		-	486
Cash and cash equivalents		128,473	61,213
		<b>179,817</b>	<b>92,326</b>
Assets held for sale	7	307,987	121,102
<b>Total current assets</b>		<b>487,804</b>	<b>213,428</b>
<b>Total assets</b>		<b>4,281,437</b>	<b>2,400,853</b>

The accompanying notes are an integral part of these consolidated financial statements.

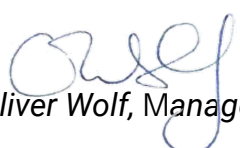
## Consolidated statement of financial position

### Equity and liabilities

	Note	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Equity</b>			
Issued share capital	9	12	12
Share premium reserve	9	53,030	53,030
Retained earnings		512,432	234,005
Foreign currency translation reserve		28,794	[1,059]
<b>Total equity attributable to owners of the Company</b>		<b>594,268</b>	<b>285,988</b>
Non-controlling interests		393,036	112,498
<b>Total equity</b>		<b>987,304</b>	<b>398,486</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	10A	763,386	869,871
Bonds	4, 10B	975,267	-
Loans from related parties	11, 20	855,739	746,137 *
Loans from non-controlling interests	11A	311,252	206,995
Tenant deposits		2,679	1,475
Long-term lease liabilities	3A	76,362	-
Deferred tax liabilities	19	193,927	103,416
<b>Total non-current liabilities</b>		<b>3,178,612</b>	<b>1,927,895</b>
<b>Current liabilities</b>			
Trade and other payables	12	30,965	24,258 *
Income tax payables	19	9,265	3,487
Other short-term liabilities	13	29,941	8,590 *
Current portion of loans from credit institutions	10A	10,166	8,896
		<b>80,337</b>	<b>45,230</b>
Liabilities held for sale	7	35,184	29,242
<b>Total current liabilities</b>		<b>115,521</b>	<b>74,472</b>
<b>Total liabilities</b>		<b>3,294,133</b>	<b>2,002,367</b>
<b>Total liabilities and equity</b>		<b>4,281,437</b>	<b>2,400,853</b>

The accompanying notes are an integral part of these consolidated financial statements.

\* Refer to note 2A, items were reclassified.



Oliver Wolf, Manager



Jan Fischer, Manager

Date of approval of the financial statements: 23 April 2020

## Consolidated statement of profit and loss

	Note	For the year ended 31 December 2019 EUR thousands	For the period from 2 April till 31 December 2018 (*) EUR thousands
<b>Revenues</b>			
Hotel income		168,786	161,694
Rental income		98,759	24,777
Service charge income		9,825	5,771
<b>Total revenues</b>	15	<b>277,370</b>	<b>192,242</b>
Cost of hotel operations		(60,069)	(49,047)
Other property operating expenses		(23,624)	(23,474)
Service charge expenses		(14,614)	(8,003)
<b>Total operating expenses</b>	16	<b>(98,307)</b>	<b>(80,524)</b>
<b>Net operating income</b>		<b>179,063</b>	<b>111,718</b>
Selling expenses	17	(23,509)	(21,148)
Administrative expenses	17	(36,492)	(23,810)
Valuation gains from investment property		521,440	280,819
Share in profit from investment in equity-accounted investees	11B	3,206	-
Profit on disposal of investment property	5C	35,077	-
Bargain purchase gain	5A	39,378	43,207
<b>Net gains on investment property</b>		<b>599,101</b>	<b>324,026</b>
<b>Operating profit</b>		<b>718,163</b>	<b>390,786</b>
Interest expenses on related party and non-controlling interest loans	18	(55,866)	(33,830) **
Interest expenses on third parties	18	(50,821)	(21,805) **
Other finance expenses	18	(26,398)	(2,545) **
<b>Profit before tax</b>		<b>585,078</b>	<b>323,606</b>
Income tax expense	19	(95,769)	(54,696)
<b>Profit for the year/period</b>		<b>489,309</b>	<b>277,910</b>
<b>Attributable to:</b>			
Owners of the Company		278,177	234,005
Non-controlling interests		211,132	43,905
		<b>489,309</b>	<b>277,910</b>

\* Reference is made to notes 1 and 3 (Basis of consolidation).

\*\* Refer to note 2A, items were reclassified.

The accompanying notes are an integral part of these consolidated financial statements.



## Consolidated statement of other comprehensive income

Note	For the year ended 31 December 2019 EUR thousands	For the period from 2 April till 31 December 2018 (*) EUR thousands
<b>Profit for the year/period</b>	<b>489,309</b>	<b>277,910</b>
<b>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</b>		
Foreign currency translation reserve	28,794	(1,059)
<b>Other comprehensive income:</b>	<b>28,794</b>	<b>(1,059)</b>
<b>Total comprehensive income for the year/period</b>	<b>518,103</b>	<b>276,851</b>
<b>Attributable to</b>		
Owners of the Company	306,971	232,946
Non-controlling interests	211,132	43,905
	<b>518,103</b>	<b>276,851</b>

\* Reference is made to notes 1 and 3 (Basis of consolidation).

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Note	For the year ended 31 December 2019 EUR thousands	For the period from 2 April till 31 December 2018 (*) EUR thousands
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>489,309</b>	<b>277,910</b>
<b>Adjustments to reconcile profit before tax:</b>			
Net change in fair value of investment property	6	(521,440)	(280,819)
Profit from acquisition at bargain price	5A	(39,378)	(43,207)
Profit on disposal of investment property	5C	(35,077)	-
Net finance expense		133,085	58,180
Tax expense	19	95,769	54,696
Depreciation		492	372
Share in profit from investment in equity-accounted investees	11B	(3,206)	-
Change in inventories		963	(74)
Change in trade and other receivables		20,990	(165)
Change in trade and other payables		(41,355)	(17,932)
Change in tenant deposits		1,175	331
Taxes paid		(12,959)	(1,627)
<b>Net cash from operating activities</b>		<b>88,368</b>	<b>47,667</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment property, net of cash acquired	5B	(848,080)	(699,430)
Disposal of subsidiary, net of cash disposed of	5C	207,971	-
Advances in respect of investment properties	5D	(29,973)	(111,451)
Capital expenditure and refurbishment of investment property	6	(15,970)	(15,677)
Capital expenditure on PP&E		(329)	(352)
Change in restricted bank and other deposits		863	(14,781)
Loans granted to related parties	22	(10,684)	-
Loan granted to non-controlling interest		(13,489)	(1,048)
<b>Net cash from investing activities</b>		<b>(709,691)</b>	<b>(842,739)</b>

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The accompanying notes are an integral part of these consolidated financial statements.

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	Note	For the year ended 31 December 2019 EUR thousands	For the period from 2 April till 31 December 2018 (*) EUR thousands
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital net of issue costs		-	12
Proceeds from capital contributions of non-controlling interest shareholders		27,447	51,339
Proceeds from loans and borrowings	10	328,176	799,282
Proceeds from issuance of bonds, net of issuance costs	10	973,579	-
Proceeds from related party loans		34,330	420,162
Proceeds from loans from non-controlling interests		87,331	200,205
Repayment of loans and borrowings	10	(716,295)	(579,419)
Payment of debt issuance costs		(4,424)	(11,335)
Interest paid		(41,488)	(16,439)
Payments relating to hedging activities		-	(6,449)
<b>Net cash from financing activities</b>		<b>688,657</b>	<b>857,358</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents as at the beginning of the year/period		61,213	-
Effect of exchange rate differences on cash and cash equivalents		2,667	(628)
Cash classified as held for sale		(2,742)	(444)
<b>Cash and cash equivalents as at the end of the year/period</b>		<b>128,473</b>	<b>61,213</b>

\* Reference is made to notes 1 and 3 (Basis of consolidation)

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2019

	Note	Issued share Capital EUR thousands	Share premium reserve EUR thousands	Foreign currency translation reserve EUR thousands	Retained earnings EUR thousands	Total EUR thousands	Non-controlling interests EUR thousands	Total equity EUR thousands
<b>Balance as at 1 January 2019</b>		<b>12</b>	<b>53,030</b>	<b>(1,059)</b>	<b>234,005</b>	<b>285,988</b>	<b>112,498</b>	<b>398,485</b>
Effect of initial application of IFRS 16*	3A	-	-	-	251	<b>251</b>	-	<b>251</b>
<b>Balances as at 1 January 2019 after initial application</b>		<b>12</b>	<b>53,030</b>	<b>(1,059)</b>	<b>234,256</b>	<b>286,239</b>	<b>112,498</b>	<b>398,736</b>
<b>Total comprehensive income</b>								
Profit for the year		-	-	-	278,177	<b>278,177</b>	211,132	<b>489,309</b>
Other comprehensive income		-	-	29,853	-	<b>29,853</b>	-	<b>29,853</b>
<b>Total comprehensive income for the period</b>		<b>12</b>	<b>53,030</b>	<b>28,794</b>	<b>512,432</b>	<b>594,268</b>	<b>323,630</b>	<b>917,898</b>
<b>Transactions with owners, recognized directly in equity</b>								
Equity contributions of non-controlling interest share-holders net of issue costs		-	-	-	-	-	27,447	<b>27,447</b>
Non-controlling interests arising on initial consolidation		-	-	-	-	-	46,922	<b>46,922</b>
Derecognition of non-controlling interests due to sale of subsidiaries		-	-	-	-	-	(4,963)	<b>(4,963)</b>
<b>Balance as at 31 December 2019</b>		<b>12</b>	<b>53,030</b>	<b>28,794</b>	<b>512,432</b>	<b>594,268</b>	<b>393,036</b>	<b>987,304</b>

\* See Note 3 regarding initial application of IFRS 16, Leases. According to the transitional method that was chosen, comparative data were not restated. The accompanying notes are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

For the period from 2 April till 31 December 2018

	Issued share Capital EUR thousands	Share premium reserve EUR thousands	Foreign currency translation reserve EUR thousands	Result for current period EUR thousands	Total EUR thousands	Non-controlling interests EUR thousands	Total equity EUR thousands
<b>Balance as at 2 April 2018 *</b>	-	-	-	-	-	-	-
Profit (loss) for the current period	-	-	-	234,004	<b>234,004</b>	43,905	<b>277,909</b>
Other comprehensive income	-	-	(1,059)		<b>(1,059)</b>	-	<b>(1,059)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,059)</b>	<b>234,004</b>	<b>232,945</b>	<b>43,905</b>	<b>276,850</b>
<b>Transactions with owners, recognized directly in equity</b>							
Issue of ordinary shares net of issue costs	12	-	-	-	<b>12</b>	-	<b>12</b>
Conversion of shareholders' loans into share premium	-	53,030	-	-	<b>53,030</b>	-	<b>53,030</b>
Non-controlling interests arising on initial consolidation	-	-	-	-	-	63,974	<b>63,974</b>
Sale of subsidiary's shares to non-controlling interests	-	-	-	-	-	4,619	<b>4,619</b>
<b>Balance as at 31 December 2018</b>	<b>12</b>	<b>53,030</b>	<b>(1,059)</b>	<b>234,004</b>	<b>285,987</b>	<b>112,498</b>	<b>398,485</b>

\* Reference is made to notes 1 and 3 (Basis of consolidation)

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### Note 1 – Corporate information

Vivion Investments S.à r.l., (the “**Company**” or “**Vivion**” and together with its consolidated subsidiaries the “**Group**”) was formed in Luxembourg on 19 October 2018 and was registered with the Luxembourg Register of Trade and Companies (Registre de Commerce et des Sociétés Luxembourg) on 26 October 2018 under number B228676. The Company has its registered address at 155 Rue Cents, L-1319, Luxembourg.

The issued and fully paid share capital of the Company as at 31 December 2019 was EUR 12,002 (2018: EUR 12,002) divided into 12,002 shares (2018: 12,002 shares) with nominal value of EUR 1 each. The Company is a directly held subsidiary of Vivion Holdings S.à r.l. (“**Vivion Holdings**”) a company incorporated in Luxembourg.

The Company acquired Vivion Capital Partners S.A. (“**Vivion CP**”) in November 2018, while Golden Capital Partners S.A. (“**Golden**”), a subsidiary of Vivion CP, acquired its operations on 2 April 2018. Therefore, due to the Golden transaction and the common control nature of the Vivion transaction, the comparative profit and loss figures for 2018 are presented for the period from 2 April 2018 to 31 December 2018. The group did not have any operational activities in the period before 2 April 2018. We refer to the notes in the consolidated financial statements as for the period from 2 April 2018 to and at 31 December 2018.

Vivion is a commercial real estate group, focusing on the ownership, management, improvement and selective acquisition and disposal of properties primarily in the United Kingdom (“**UK**”) and Germany. As at 31 December 2019 (“**Reporting date**”) Vivion CP held 51.5% (2018: 60.3%) of the share capital of Golden.

Golden’s business activities are focused on the German commercial real estate market with a focus on office properties. As at 31 December 2019 the Group owned 39 properties (2018: 35 properties) in Germany, which were classified as investment property.

Vivion holds 100% interest in Luxembourg Investment Company 210 S.à r.l. (“**LIC 210**”) that focuses its business activities on investing in hotel properties located in the United Kingdom. As at 31 December 2019, LIC 210 indirectly held a portfolio of 54 hotels (2018: 20 hotels) in the United Kingdom, of which it acquired 26 hotels on 31 January 2019. The hotels are classified as investment property.

In July 2019 the Company completed its unsecured public market debut through the issuance of EUR 700 million Senior Unsecured Notes due July 2024. In October 2019 the company had a successful second issuance of EUR 300 million Senior Unsecured Notes due October 2026. Refer to note 11B. In July 2019, S&P published its first long-term corporate rating to Vivion of ‘BB’ with stable outlook. The company also obtained a ‘BB+’ rating for the two Senior Unsecured Bonds that have been issued in 2019.

The company’s rating remained unchanged as at 31 December 2019.

## Definitions

### In these consolidated financial statements –

- (1) The Company – Vivion Investments S.à r.l.
- (2) The Group – The Company and its subsidiaries
- (3) Subsidiaries – Companies, including a partnership, the financial statements of which are fully consolidated, directly or indirectly, with the consolidated financial statements of the Company.
- (4) Parent – Vivion Holdings S.à r.l.
- (5) Investee companies – Subsidiaries and companies, including a partnership or joint venture, the Company's investment in which is stated, directly or indirectly, on the equity basis.
- (6) Related party – Within its meaning in IAS 24 (2009), “Related Party Disclosures”.
- (7) Report Date – 31 December 2019
- (8) Reporting Period – the period started on 1 January 2019 and ended on 31 December 2019

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## Note 2 - Basis of Preparation

### A. Statement of compliance

These consolidated financial statements (the “Financial Statements”) as at 31 December 2019 (the “Report Date”) and for the year then ended (the “Reporting Period”) have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). IFRS as adopted by the EU are IFRS Standards and IFRS Interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC)

Certain consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows' items related to the period ended 31 December 2018 have been reclassified to enhance comparability with 2019 figures and are marked as “reclassified”.

The consolidated financial statements were authorized for issue by the Company's Board of Managers on 23 April 2020 (the “Report Approval Date”).

## B. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Investment properties are measured at fair value;
- Derivative financial assets and liabilities are measured at fair value;
- Investment in equity-accounted investees;
- Deferred tax assets and liabilities on fair value gains and losses on investment property.
- Assets and liabilities held-for-sale

This is the first set of the Group's consolidated financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 3A.

## C. Use of estimates, judgments and fair value measurement

The preparation of financial statements in conformity with IFRS requires management to exercise judgment when making the assessments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### ***Judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

### ***Business combinations – note 5***

Upon the acquisition of a property company, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g. maintenance, cleaning, security, bookkeeping, hotel services, etc.).

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair value, and no goodwill or deferred tax is recognized.

### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the car-



rying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### ***Valuation of investment properties – note 6***

In accordance with its policy, the Group periodically examines the values of its investment property. Such examination is performed at least once a year for investment property by independent external appraisers having appropriate professional qualifications and knowledge with respect to the relevant location and the type of property appraised.

At each reporting period the Group examines the need to update the last valuation performed, to ensure it represents a reliable value estimation as of the current reporting period. This examination is made by reviewing the changes in the macro-economic environment in terms of cap rates and market rent, leases' terms, updated information in respect of material transactions made in the same areas and any other information that may affect the value of the asset.

### ***Uncertain tax positions – note 19***

Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## **D. Functional and presentation currency**

The Group's consolidated financial statements are presented in Euros (EUR), which is also the parent's company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. They are then translated into the presentation currency of the Group.

	<b>2019</b> GBP/EUR	<b>2018</b> GBP/EUR
31 December	1.175	1.118
Average over reporting period	1.140	1.130

## Note 3 – Summary of significant accounting policies

### A. Initial application of new standards, amendments to standards and interpretations

As from 1 January 2019 the Group applies the new standards and amendments to standards described below:

#### (1) IFRS 16, *Leases*

As from 1 January 2019 (hereinafter: “the date of initial application”) the Group applies International Financial Reporting Standard 16, *Leases* (hereinafter: “IFRS 16” or “the standard”), which replaced International Accounting Standard 17, *Leases* (hereinafter: “IAS 17” or “the previous standard”).

The main effect of the standard’s application is reflected in annulment of the existing requirement from lessees to classify leases as operating (off-balance sheet) or finance leases and the presentation of a unified model for lessees to account for all leases similarly to the accounting treatment of finance leases in the previous standard. Until the date of initial application, the Group classified the leases in which it is the lessee as operating leases, since it did not substantially bear all the risks and rewards from the assets.

In accordance with IFRS 16, for agreements in which the Group is the lessee, the Group recognizes a right-of-use asset and a lease liability at the inception of the lease contract for all the leases in which the Group has a right to control identified assets for a specified period of time, other than exceptions specified in the standard. Accordingly, the Group recognizes financing expenses on a lease liability. Therefore, as from the date of initial application, lease payments relating to assets leased under an operating lease, which were presented as part of general and administrative expenses in the income statement, are capitalized to assets and written down as depreciation and amortization expenses. The right-of-use assets are included in investment property, also refer to note 6.

The Group elected to apply the standard using the modified retrospective approach, with an adjustment to the balance of retained earnings as at 1 January 2019 and without a restatement of comparative data. In respect of all the leases, the Group elected to apply the transitional provisions such that on the date of initial application it recognized a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application and adjusted the lease liability as if accounted for the lease per initiation of the lease contract in accordance with IFRS 16. Consequently, for lease agreements of German properties the Group recognized retrospectively a right-of-use asset at fair value of future lease payments, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. For UK lease agreements the Group recognized a right-of-use asset at fair value, equal to the lease liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of the standard for UK hotel lease agreements did not have an effect on the Group’s equity at the date of application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

- (1) Applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has an immaterial value;
- (2) Relying on a previous definition and/or assessment of whether an arrangement is a lease in accordance with current guidance with respect to agreements that exist at the date of initial application;
- (3) Assessing whether a contract is onerous in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets (hereinafter: "IAS 37") immediately before the date of initial application instead of assessing impairment of right-of-use assets.
- (4) Applying the practical expedient regarding the recognition and measurement of short-term leases, for both leases that end within 12 months from the date of initial application and leases for a period of up to 12 months from the date of their inception for all groups of underlying assets to which the right-of-use relates;
- (5) Excluding initial direct costs from measurement of the right-of-use asset at the date of initial application;
- (6) Using hindsight when determining the lease term if the contract includes an extension or termination option;

The table below presents the cumulative effects of the items affected by the initial application on the statement of financial position as at 1 January 2019:

	<b>According to IAS 17</b> EUR thousands	<b>The change</b> EUR thousands	<b>According to IFRS 16</b> EUR thousands
Right-of-use asset (as included in Investment Property)	-	85,827	85,827
Lease liabilities	-	84,473	84,473
Retained earnings	-	251	251

In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate at 1 January 2019. The discount rates used to measure the lease liability range between 4.25% and 6.30% (weighted average of 6.16%). This range is affected by differences in the lease term, differences between asset groups, and so forth.

### ***Impact of the application of IFRS 16 in the reporting period***

As a result of applying IFRS 16, in relation to the leases that were classified as operating leases according to IAS 17, the Group recognized right-of-use assets (including investment property) and lease liabilities as at 31 December 2019 in the amount of EUR 77.2 million and EUR 76.4 million, respectively.

Furthermore, instead of recognizing lease expenses in relation to those leases, during the year ended 31 December 2019 the Group recognized as part of revaluation of investment property an amount of EUR 0.3 million negative, and additional financing expenses in the amount of EUR 5.4 million.

Standard interpretation amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
<b>(1) Improvements to IFRSs 2015-2017: Amendment to IAS 23, Borrowing Costs</b>	The amendment clarifies that any specific borrowing costs outstanding after a qualifying asset is ready for its intended use or sale should be taken into account in the calculation of the weighted average capitalization rate of the general borrowings costs.	The amendment is applied on a prospective basis.	The Group does not expect any material impact on applying the amendment on a prospective basis.
<b>(2) IFRIC 23, Uncertainty Over Income Tax Treatments</b>	IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes. According to IFRIC 23, when determining the taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments, the entity should assess whether it is probable that the tax authority will accept its tax position. Insofar as it is probable that the tax authority will accept the entity's tax position, the entity will recognize the tax effects on the financial statements according to that tax position. On the other hand, if it is not probable that the tax authority will accept the entity's tax position, the entity is required to reflect the uncertainty in its accounts by using one of the following methods: the most likely outcome or the expected value. IFRIC 23 clarifies that when the entity examines whether or not it is probable that the tax authority will accept the entity's position, it is assumed that the tax authority with the right to examine any amounts reported to it will examine those amounts and that it has full knowledge of all relevant information when doing so. Furthermore, according to IFRIC 23 an entity has to consider changes in circumstances and new information that may change its assessment. IFRIC 23 also emphasizes the need to provide disclosures of the judgments and assumptions made by the entity regarding uncertain tax positions.	IFRIC 23 is applied using the cumulative effect approach	The application of IFRIC 23 did not have a material effect on the financial statements other than providing more disclosures regarding the judgements made on the matter.
<b>(3) Amendment to IAS 28, Investments in Associates and Joint Venture: Long-Term Interests in Associates or Joint Ventures</b>	The Amendment clarifies that for long-term interests that form part of the entity's net investment in the associate or joint venture, the entity shall first apply the requirements of IFRS 9 and then apply the instructions of IAS 28 with respect to the remainder of those interests, so that the long-term interests are in the scope of both IFRS 9 and IAS 28.	The Amendment is applied retrospectively (with the possibility of certain reliefs) with an adjustment to the balance of retained earnings at the transition date and without an amendment of comparative data.	The Group granted loans to an investee company that form part of the net investment in those investee companies. Application of the Amendment does not have any material impact.

## Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2019. Due to the common control nature of the transactions described in note 1, the comparative consolidated profit and loss statements and consolidated cash flow's statement are presented for the period 2 April 2018 to 31 December 2018. In the period before 2 April 2018, the Group did not have any operational activities.

The Group controls an investee if, it 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, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement 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 of each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Company 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 into 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other component of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value if no significant influence remains.

### ***Non-controlling interests***

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company and they include additional components such as: the equity component of convertible debentures of subsidiaries, share-based payments that will

be settled with equity instruments of subsidiaries and share options of subsidiaries.

### ***Transactions eliminated on consolidation***

Intra-group balances and transactions and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in these investments. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### ***Investments in associated and equity-accounted investees***

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associated and equity-accounted investees are incorporated in these consolidated financial statements, using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statement and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

## **Property acquisitions and business combinations**

Where property is acquired, via corporate acquisitions or other, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

When examining whether a property or a property company constitutes a business, the Group examines, inter alia, the nature of the processes in place in the property company, including the extent and nature of the management, security, cleaning and maintenance services that are provided to the tenants. Transactions in which the acquired company is considered a business are accounted for as a business combination as described above. Conversely, transactions in which the acquired company is not considered a business are accounted for as the acquisition of a group of assets and liabilities. In such transactions, the cost of acquisition, which includes transaction costs, is allocated proportionately to the acquired identifiable assets and liabilities, based on their proportionate fair value on the acquisition date. In the latter case, no goodwill is recognized and no deferred taxes are recognized in respect of the temporary differences existing on the acquisition date.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group measures the non-controlling interest 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. This includes the separation of embedded derivatives in host contracts by the acquire when applicable.

## **Foreign currency**

### ***Transactions and balances***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net in-

vestment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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 that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

### ***Group companies***

On consolidation, the assets and liabilities of foreign group companies are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit and loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the foreign exchange spot rate at the reporting date

## **Borrowing costs**

The Company decided to apply a policy choice of capitalizing borrowing costs to investment property measured at fair value. Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

## **Investment property**

Investment property is property (land or building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rental income or for capital appreciation, and is not for:

- Use in the production or supply of goods or services or for administrative purposes; or
- Sale in the ordinary course of business.

Investment property is initially measured at cost including transaction costs. Transaction costs include expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment property is 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. For the purposes of these financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

The Group presents advances in respect of investment properties as non-current assets and does not include them as part of the investment properties. In subsequent periods, when the transactions are completed, the advances are reclassified to investment properties.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

## Assets held for sale

Investment property is transferred to Assets held for sale when it is expected that its carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property and an active program to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification as held for sale, investment properties continue to be measured at fair value. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

## Rent and other receivables

Rent and other receivables are recognized at their original invoiced value. A provision is made when there is objective evidence that the Group will not be able to recover balances in full. Paragraph Im-

pairment discusses any impairment of rent receivables.

## Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are valued at nominal value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## Restricted bank deposits

Restricted bank deposits consist of deposits in banks that the Group has pledged to secure banking facilities, which the Group cannot use freely for operations, and are valued at nominal value.

### Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Group recognizes a reimbursement asset if, and only if, it is virtually certain that the reimbursement will be received if the Company settles the obligation. The amount recognized in respect of the reimbursement does not exceed the amount of the provision.

## Interest bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

### Revenue recognition

Revenue is recognized in accordance with IFRS 15 in which a five-step model is established to account for revenue arising from contracts with customers and requires revenue to be recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognized when the entity satisfies a performance obligation by transferring a good or service to the customer. Transaction price is recognized based on standalone selling price. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor and it has pricing latitude.

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### Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

- (a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
- (b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;
- (c) The Group can identify the payment terms for the goods or services that will be transferred;
- (d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
- (e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) the Group examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

### Combination of contracts

The Group combines two or more contracts entered into on the same date or on proximate dates with the same customer (or related parties of the customer) and accounts for them as one contract when one or more of the following conditions are met:

- (a) Negotiations were held on the contracts as one package with a single commercial purpose;
- (b) The amount of the consideration in one contract depends on the price or performance of a different contract; or
- (c) The goods or services promised in the contracts (or certain goods or services promised in each one of the contracts) are a single performance obligation.

## Identifying performance obligations

On the contract's inception date the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to transfer to the customer one of the following:

- (a) Goods or services (or a bundle of goods or services) that are distinct; or
- (b) A series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Group identifies goods or services promised to the customer as being distinct when the customer can benefit from the goods or services on their own or in conjunction with other readily available resources and the Group's promise to transfer the goods or services to the customer is separately identifiable from other promises in the contract. In order to examine whether a promise to transfer goods or services is separately identifiable, the Group examines whether it is providing a significant service of integrating the goods or services with other goods or services promised in the contract into one integrated outcome that is the purpose of the contract.

## Contract costs

Incremental costs of obtaining a contract with a customer such as sales fees to agents, are recognized as an asset when the Group is likely to recover these costs. Costs to obtain a contract that would have been incurred regardless of the contract are recognized as an expense as incurred, unless the customer can be billed for those costs.

Costs incurred to fulfill a contract with a customer and not in the scope of another standard are recognized as an asset when they: relate directly to a contract the Group can specifically identify; they generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and they are expected to be recovered. In any other case the costs are recognized as an expense as incurred.

Capitalized costs are amortized in the income statement on a systematic basis that is consistent with the pattern of transfer of the goods or services to which the asset relates.

Every reporting period the Group examines whether the carrying amount of the asset recognized as aforesaid exceeds the consideration the entity expects to receive in exchange for the goods or services to which the asset relates, less the costs directly attributable to the provision of these goods or services that were not recognized as expenses, and if necessary an impairment loss is recognized in profit or loss.

## Contract modifications

A contract modification is a change in the scope or price (or both) of a contract that was approved by the parties to the contract. A contract modification can be approved in writing, orally or be implied by customary business practices. A contract modification can take place also when the parties to the contract have a disagreement regarding the scope or price (or both) of the modification or when the



parties have approved the modification in scope of the contract but have not yet agreed on the corresponding price modification.

When a contract modification has not yet been approved by the parties, the Group continues to recognize revenues according to the existing contract, while disregarding the contract modification, until the date the contract modification is approved or the contract modification is legally enforceable.

The Group accounts for a contract modification as an adjustment of the existing contract since the remaining goods or services after the contract modification are not distinct and therefore constitute a part of one performance obligation that is partially satisfied on the date of the contract modification. The effect of the modification on the transaction price and on the rate of progress towards full satisfaction of the performance obligation is recognized as an adjustment to revenues (increase or decrease) on the date of the contract modification, meaning on a catch-up basis.

## Principal or agent

When another party is involved in providing goods or services to the customer, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services itself, which means the Group is a principal and therefore recognizes revenue in the gross amount of the consideration, or to arrange that another party provide the goods or services which means the Group is an agent and therefore recognizes revenue in the amount of the net commission.

The Group is a principal when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: the Group is the primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

### **1. Rental income**

The Group is the lessor in operating leases. These lease contracts are scoped out of IFRS 15, described above, and are accounted for under IAS 17 (from 2019: IFRS 16 Leases).

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the term of the lease and is included in revenue in the statement of profit and loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the term of the lease on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

### **2. Service charges, management charges and other expenses recoverable from tenants**

The Group enters as a lessor into lease agreements that include ancillary services provided to tenants by the Group or by other parties acting on its behalf, and other charges billed to

tenants, for which the Group is entitled to payments.

Service charge income is in scope of IFRS 15 and is measured based on the consideration to which the Group expects to be entitled in a contract with a tenant. Revenue from service charges is recognized over time as services are rendered.

The Group arranges for both third parties and related parties to provide certain services to the tenants. The Group is primarily responsible for fulfilling the promise to perform the specific services and the Group bears inventory and credit risk on these transactions as it obliged to pay the service provider even if the tenant defaults on a payment.

The Group controls the service before it is provided to the tenant and , hence, is principal rather than agent in these contracts, and thus reports revenue on a gross basis; that is the amounts billed to the tenants are recorded as Service Charge revenue from contracts with tenants and operating costs are recorded as purchased services in Service Charge expenses.

### **3. Hotel revenues**

Hotel operations revenue, including the rental of rooms and sale of food and beverage, is measured at the fair value of the consideration received or receivable excluding value added tax. Revenue is reduced for discounts and other similar allowances.

Revenue from rooms, food and beverage and other related services is recognized when the room is occupied, food and beverages are sold and other related services on the performance of services.

### **4. Sale of property**

The Group enters into contracts with customers to sell properties that are either complete or under development.

The sale of completed property is generally expected to be the only performance obligation which will be satisfied at the point in time when the control is transferred to the customer, which is generally expected to be when legal title is transferred.

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided. In such contracts, the goods and services are not distinct and will generally be accounted for as a single performance obligation. Depending on the terms of each contract, the Group will determine whether control is transferred at a point in time or over time.

### **5. Interest income**

Interest income is accounted for using the provisions of IFRS 9 Financial Instruments. Interest income is recognized as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in financial income in the statement of profit or loss.

## Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required to determine the total liability for current and deferred taxes.

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax liabilities in the period in which the determination is made. Deferred tax assets and liabilities are recognized on a net basis to the extent they relate to the same fiscal authority and tax paying entity and fall due in approximately the same period.

### **Current income tax**

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current taxes also include taxes in respect of prior years and any tax arising from dividends.

Current income tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is recognized in other comprehensive income or equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### **Deferred income tax**

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- Differences relating to investments in subsidiaries and associates and joint arrangements, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment

Deferred income tax assets are recognized for all deductible temporary differences and carried forward unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, carried forward unused tax credits or unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is recognized in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax liabilities and assets, and the deferred taxes relate to the same taxable entity and the same taxation authority.

## Derivative financial instruments

### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swap contracts to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any effect of remeasurement is recorded in the statement of profit and loss.

### ***Fair value measurements***

The Group measures derivatives and investment properties at fair value at each reporting date. Fair value related disclosures for items measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Accounting policy disclosures – note 3
- Disclosures for valuation methods, significant estimates and assumptions – notes 3, 4 and 6
- Investment properties – note 6

## ■ Derivatives and other financial instruments – note 22

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When determining the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: inputs that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## Financial instruments

### ***Recognition and initial measurement***

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. All other financial assets and financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Generally, a financial asset or financial liability are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. A trade receivable without a significant financing component is initially measured at the transaction price.

***Financial assets – classification and subsequent measurement***

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost; fair value through other comprehensive income – investments in debt instruments; fair value through other comprehensive income – investments in equity instruments; or fair value through profit or loss.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows representing solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows representing solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss.

The Group has balances of trade and other receivables, deposits and other financial assets that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

***Financial assets – assessment whether cash flows represent solely payments of principal and interest***

For the purpose of examining whether the cash flows represent solely payments of principal and interest, 'principal' is the fair value of the financial asset at initial recognition, 'interest' comprises consideration for the time value of money, for the credit risk attributable to the principal amount outstanding during a certain period of time and for other risks and basic costs of a loan, as well as a profit margin.



In its examination whether contractual cash flows represent solely payments of principal and interest, the Group examines the contractual terms of the instrument, and in this framework assesses whether the financial asset includes a contractual term that may change the timing or amount of the contractual cash flows such that it does not meet the condition. The Group takes into account the following considerations when making this assessment:

- Any contingent events that will change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest;
- Extension or early payment characteristics; and
- Terms that restrict the right of the Group to cash flows from specified assets (for example a non-recourse financial asset).

An early payment characteristic is consistent with the solely principal and interest criterion if the amount of the early payment essentially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation, received or paid, for early termination of the contract. Moreover, for a financial asset acquired at a significant premium or discount compared to the contractual stated value, a characteristic that permits or requires early payment at an amount essentially representing the contractual stated value and contractual accumulated unpaid interest (which may include Reasonable compensation, received or paid, for early termination), is consistent with the solely principal and interest criterion if the fair value of the early payment characteristic is insignificant at initial recognition.

### ***Derecognition of financial assets***

Financial asset is primarily de-recognized 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

### ***Financial liabilities – classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is measured at fair value through profit or loss if it is classified as held for trading, is a derivative instrument or is designated for measurement as such at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, with the net gains and losses, including any interest expenses, being recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effec-

tive interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

### ***Derecognition of financial liabilities***

Financial liabilities are derecognized when the contractual obligation of the Group expires or is discharged or cancelled. Furthermore, a substantial modification of the terms of an existing financial liability, or an exchange between an existing borrower and existing lender of debt instruments with substantially different terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

The difference between the carrying amount of the extinguished financial liability and the consideration paid (including any non-cash assets transferred or assumed liabilities), is recognized in profit or loss. In the case of an immaterial change in terms (or exchange of debt instruments), the new cash flows are discounted at the original effective interest rate, with the difference between the present value of the financial liability with the new terms and the present value of the original financial liability being recognized in profit or loss.

## **Impairment**

### ***Non-derivative financial assets***

#### ***Financial assets, contract assets and lease receivables***

The Group recognizes a provision for expected credit losses in respect of:

- Financial assets at amortized cost; and
- Lease receivables.

With respect to other debt assets, the Group measures the provision for expected credit losses at an amount equal to the full lifetime expected credit losses, other than the provisions hereunder that are measured at an amount equal to the 12-month expected credit losses:

- Debt instruments that are determined to have low credit risk at the reporting date; and
- Other debts instruments and deposits, for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis, based on the Group's past experience and informed credit assessment, and it includes forward looking information.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. 12-month expected credit losses are the expected credit losses that result from possible default events within the 12-month period after the reporting date. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of expected credit losses**

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract such as a default or payments being past due;
- The restructuring of a loan or payment due to the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of provision for expected credit losses in the statement of financial position:

- Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets;
- For investments in debt instruments at fair value through other comprehensive income, the provision for expected credit losses is recognized in other comprehensive income and it does not reduce the carrying amount of the financial asset.

**Write-off**

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a de-recognition event.

**Non-financial assets****Timing of impairment testing**

The carrying amounts of the Group's non-financial assets (other than Investment properties and deferred tax assets), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

***Measurement of recoverable amount***

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessments of market participants regarding the time value of money and the risks specific to the asset or cash-generating unit, for which the estimated future cash flows from the asset or cash-generating unit were not adjusted.

***Recognition of impairment loss***

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

## New standards, amendments to standards and interpretations not yet adopted

Standard interpretation amendment	The requirements of the publication	Effective date and transitional provisions	Expected effects
<b>(1) Amendment to IFRS 3, <i>Business Combinations</i></b>	The Amendment clarifies whether a transaction to acquire an operation is the acquisition of a "business" or an asset. For the purpose of this examination, the Amendment added an optional concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and added examples illustrating the aforesaid examination.	The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after 1 January 2020, with earlier application being permitted.	In the opinion of the Group, application of the Amendment may have a material effect on the accounting treatment of future acquisitions of operations.
<b>(2) Amendments to IFRS 9, <i>Financial Instruments</i>, IAS 39, <i>Financial Instruments: Recognition and Measurement</i>, and IFRS 7, <i>Financial Instruments: Disclosures</i>, <i>Interest Rate Benchmark Reform</i> ("the Amendments")</b>	<p>The Amendments include several mandatory reliefs relevant for examining whether a hedging relationship affected by the uncertainty arising from the IBOR interest rate reform (a reform that in the future will lead to the elimination of interest rates such as the Libor and Euribor interest rates) qualifies for hedge accounting. Thus for example:</p> <ul style="list-style-type: none"> <li>• When determining the probability of occurrence of the hedged cash flows, the existing contractual cash flows should be used, and future changes arising from the IBOR reform should be ignored.</li> <li>• When performing a prospective assessment of effectiveness, the existing contractual terms of the hedged item and hedging item should be taken into consideration, and the uncertainties arising from the reform be ignored.</li> </ul>	The Amendments are applicable retrospectively as from 1 January 2020, with earlier application being permitted. The relief included in the Amendments will end on the earlier of: the date the uncertainty arising from the reform no longer exists and the date the hedging relationship was discontinued.	In the opinion of the Group, application of the Amendments will not have a material effect on the financial statements.

## Note 4 – Fair value measurement

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment properties at fair value at each balance sheet date.

### 4.1 Fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2019		31 December 2018	
	Carrying amount EUR thousands	Fair value EUR thousands	Carrying amount EUR thousands	Fair value EUR thousands
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	18,982	18,982	1,712	1,712
Derivatives financial instruments	555	555	3,686	3,686
<b>Total</b>	<b>19,537</b>	<b>19,537</b>	<b>5,398</b>	<b>5,398</b>
<b>Financial liabilities</b>				
Derivatives financial instruments	(230)	(230)	-	-
<b>Total</b>	<b>(230)</b>	<b>(230)</b>	<b>-</b>	<b>-</b>

### *Financial instruments measured at fair value for disclosure purposes only*

	31 December 2019		31 December 2018	
	Carrying amount EUR thousands	Fair value EUR thousands	Carrying amount EUR thousands	Fair value EUR thousands
<b>Financial liabilities</b>				
Loans and borrowings	763,386	763,386	869,871	869,871
Senior Unsecured Bonds	975,267	1,020,366	-	-
<b>Total</b>	<b>1,738,653</b>	<b>1,783,752</b>	<b>869,871</b>	<b>869,871</b>

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade receivables, other receivables, deposits, short-term loans and borrowings, trade payables, other payables are the same or proximate to their fair value.

As of the Report Date, the fair values of long-term bank and related party borrowings as presented in the statement of financial position approximates its fair values.



## 4.2 Fair value measurement hierarchy

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities which are presented at fair value. We also refer to note 3.

There have been no transfers between Level 1, Level 2 and Level 3 during 2019 and 2018. We refer to note 6 for further disclosure regarding the fair value measurement of investment property per level 3 hierarchy.

	31 December 2019 Fair value measurement using				31 December 2018 Fair value measurement using			
	Total	Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total	Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
<b>Financial assets</b>								
Investment property	<b>3,708,610</b>	-	-	3,708,610	<b>2,047,708</b>	-	-	2,047,708
Financial assets at fair value through profit and loss	<b>18,982</b>	-	-	18,982	-	-	-	1,712
Derivatives financial instruments	<b>555</b>	-	555	-	<b>3,686</b>	-	3,686	-
<b>Total</b>	<b>3,728,147</b>	-	<b>555</b>	<b>3,727,592</b>	<b>2,051,394</b>	-	<b>3,686</b>	<b>2,049,420</b>
<b>Liabilities measured at fair value</b>								
Derivatives financial liabilities	<b>(230)</b>	-	(230)	-	-	-	-	-
<b>Liabilities for which fair values are disclosed</b>								
Loans and borrowings	<b>763,386</b>	-	763,386	-	<b>869,871</b>	-	869,871	-
Senior Unsecured Bonds	<b>1,020,366</b>	1,020,366	-	-	-	-	-	-
<b>Total</b>	<b>1,783,522</b>	<b>1,020,366</b>	<b>763,156</b>	-	<b>869,871</b>	-	<b>869,871</b>	-

## Note 5 – Assets' acquisition and business combination

### A. Business Combinations

In January 2019 the Group acquired 26 hotels in the United Kingdom in a share deal for a consideration of GBP 55.0 million (EUR 62.8 million). The Group paid a down payment of GBP 32.5 million (EUR 36.3 million) in December 2018. The acquisition is accounted for as a business combination based on IFRS 3, Business combinations. As the transaction occurred in an off-market transaction from a third-party seller, it resulted in a bargain purchase gain of GBP 34.5 million (EUR 39.4 million).

In August 2019 the Group completed the transfer of its hotel operations within the UK to affiliated operating companies outside of the Group (the "Hotel OpCos"), whereby the operations of the acquired hotels were transferred outside of the Group (the "PropCo Reorganisation"). Therefore, the hotels are classified as investment property and subsequently measured at fair value. As per 31 December 2019 the Company earns rental income from the respective tenants of each of the properties in the portfolio.

The purchase price was allocated to the net identifiable assets and liabilities based on their fair values at the Acquisition Date, as follows:

	EUR thousands
Investment properties	319,508
Cash	3,899
Prepayments	863
Trade and other receivables	2,384
Inventory	474
Deferred tax liabilities	(22,470)
Other financial liabilities	(202,469)
<b>Total identifiable assets</b>	<b>102,189</b>
Gain on bargain purchase	(39,378)
<b>Total consideration</b>	<b>62,811</b>
<b>Satisfied by:</b>	
Cash	62,811
<b>Cash flow analysis:</b>	
Cash consideration	62,811
Less: cash and cash equivalent balances acquired	(3,899)
Less: advance payments before Reporting period	(37,099)
<b>Net cash outflow arising on acquisition in Reporting period</b>	<b>21,812</b>

Transaction costs amounted to approximately GBP 6.5 million (EUR 7.7 million) and are included in Administrative expenses in the Statement of Profit and Loss.

From the date of acquisition, the portfolio has contributed EUR 24.8 million to operating income and EUR 47.1 million to revenues. If the combination had taken place at the beginning of the year, the contribution to the profit after tax for the Group would approximate EUR 26.0 million and revenue would approximate EUR 53.3 million.

## B. Assets' acquisitions

During the Reporting Period, the Group gained control over 15 properties through acquisitions of companies. The acquisitions were completed for a total consideration of EUR 875.2 million (EUR 901.2 million including transaction costs) primarily located in Germany. Out of the total consideration EUR 75.5 million was already paid in 2018. The acquisitions were treated as asset acquisitions as the companies do not define as business per IFRS 3 for which no goodwill was recognized. Part of the assets acquired were classified as held for sale per the reporting date, refer to note 7.

## C. Completed transaction

In June 2019 the Group completed the sale of one of its subsidiaries, which owned a property in Germany for which assets and liabilities were classified as held for sale as at 31 December 2018. The selling price was EUR 110.0 million, subject to working capital and other pricing adjustments. During the reporting period, the Group received a total consideration of EUR 105 million in cash. The group recognized a profit from the disposal of investment property of EUR 6.8 million in the reporting period and a receivable on the buyer of EUR 13.4 million (included in Rent and Other Receivables). The receivable is calculated based on the provisional accounting records as at the disposal date and is subject to finalization of completion accounts.

In August 2019 the Group completed the transfer of its hotel operations within the UK to affiliated operating companies outside of the Group (the "Hotel OpCos"), whereby the operations of forty-six hotels were transferred outside of the Group and long-term operational leases have been entered into between the relevant property-owning companies within the Group (each a "Hotel PropCo") and the Hotel OpCos (the "PropCo Reorganisation"). Subsequent to the PropCo Reorganisation all our UK portfolio is leased in long term operational leases.

In December 2019 the Group completed the disposal of one hotel in London for a consideration of GBP 90 million (EUR 105.8 million), subject to working capital adjustments. The final purchase price is expected to be completed in the second quarter of 2020. The Group recognized a profit from the disposal of the hotel of GBP 24.1 million (EUR 28.3 million) in the reporting period. The receivable is calculated based on the provisional accounting records as at the disposal date and is subject to finalization of completion accounts.

## D. Uncompleted transactions

The Group made advance payments in amount of GBP 25.5 million (EUR 29.9 million) in relation to the purchase of 2 hotels in London (UK). The deal was completed on 7 January 2020. Refer to note 23A for details on this transaction.



## Note 6 - Investment Property

### A. Reconciliation of investment property, according to its predominant use

	Germany *				UK	Total 2019
	Office EUR thousands	Hotels EUR thousands	Other EUR thousands	Subtotal EUR thousands	Hotels EUR thousands	EUR thousands
<b>Balance as at 1 January 2019 (incl. held for sale assets)</b>	<b>621,240</b>	<b>115,900</b>	<b>67,120</b>	<b>804,260</b>	<b>1,353,448</b>	<b>2,157,708</b>
Initial application of IFRS 16, see note 3	5,772	-	-	<b>5,772</b>	80,055	<b>85,827</b>
<b>Restated balance as at 1 January 2019</b>	<b>627,012</b>	<b>115,900</b>	<b>67,120</b>	<b>810,032</b>	<b>1,433,503</b>	<b>2,243,535</b>
Acquisitions of investment property and investment in capex during the year, net (Note 5)	936,442	32,829	66,793	<b>1,036,064</b>	322,521	<b>1,358,586</b>
Fair value adjustments	480,005	4,294	71	<b>484,370</b>	42,376	<b>526,746</b>
Foreign currency revaluation effect	-	-	-	-	86,154	<b>86,154</b>
Disposal of subsidiaries	(112,056)	-	-	<b>(112,056)</b>	(97,321)	<b>(209,377)</b>
<b>Total</b>	<b>1,931,404</b>	<b>153,023</b>	<b>133,984</b>	<b>2,218,411</b>	<b>1,787,234</b>	<b>4,005,644</b>
Less: classified as held for sale (Note 7)	(225,160)	-	(71,874)	<b>(297,034)</b>	-	<b>(297,034)</b>
<b>At 31 December 2019</b>	<b>1,706,244</b>	<b>153,023</b>	<b>62,110</b>	<b>1,921,377</b>	<b>1,787,234</b>	<b>3,708,610</b>

	Germany				UK	Total 2018
	Office ** EUR thousands	Hotels ** EUR thousands	Other ** EUR thousands	Subtotal EUR thousands	Hotels EUR thousands	EUR thousands
<b>Balance as at 2 April 2018</b>	-	-	-	-	-	-
Acquisitions of investment property and investment in capex during the year, net	469,682	102,648	63,242	<b>635,572</b>	1,255,250	<b>1,890,822</b>
Fair value adjustments	151,558	13,252	3,878	<b>168,688</b>	115,605	<b>284,293</b>
Foreign currency revaluation effect	-	-	-	-	(17,407)	<b>(17,407)</b>
Disposal of subsidiaries	-	-	-	-	-	-
<b>Total</b>	<b>621,240</b>	<b>115,900</b>	<b>67,120</b>	<b>804,260</b>	<b>1,353,448</b>	<b>2,157,708</b>
Less: classified as held for sale	(110,000)	-	-	<b>(110,000)</b>	-	<b>(110,000)</b>
<b>At 31 December 2018</b>	<b>511,240</b>	<b>115,900</b>	<b>67,120</b>	<b>694,260</b>	<b>1,353,448</b>	<b>2,047,708</b>

\* The investment property table for Germany contains one property in another EU jurisdiction.

\*\* Items were reclassified – refer to note 2A.

## B. Measurement of fair value

Investment properties are measured at its fair value, which has been determined based on valuations performed by external independent appraisers with recognized professional expertise and vast experience as to the location and category of the property being valued, based on market conditions prevailing as of the Report Date, by reference to properties with similar condition and location, as well as by using valuations techniques such as Discounted Cash Flow Method ("DCF"), in accordance with the Royal Institution of Chartered Surveyors (the "Red Book") and with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC).



Under the DCF method the forecasted future income and costs of the property over a 10 years period are discounted to the date of valuation, by using discounts rates which is suitable in the appraisers' and Group management's view to the specific property location and category, specific characteristics and inherent risk as well as the prevailing market conditions as of the Report Date, and an exit value at the end of the detailed cash flow period. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) net of operating expenses estimation, taking vacancy and lease-up assumptions into account, as well as estimation of anticipated capital expenditure.

Where applicable, the appraisers use the Residual value method through capitalizing the future market value of the property once it is developed, less estimated cost to complete. The rental levels are set at the current market levels capitalized at the net yield which reflects the risks inherent in the net cash flows.

### ***Fair value hierarchy***

The Group's investment property has been categorized as Level 3 Fair Value (as described in note 4) based on the input to the valuation technique used and was determined considering the highest and best use measurement approach according to IFRS 13.

There were no transfers between levels 1, 2 or 3 during 2019.

### ***Key parameters used in the valuation***

The following table gives an overview of the main valuation parameters and valuation results as of 31 December 2019:

Class of property	Fair value 2019 thousands	Fair value 2018 thousands	Valuation technique	Key unobserva- ble inputs	Weighted average 2019	Weighted average 2018
Hotel properties in United Kingdom	EUR 1,717,553 GBP 1,459,800	EUR 1,353,448 GBP 1,210,700	DCF	Weighted avg value per room	GBP 198,006	GBP 220,000
				Discount rate	7.67%	6.60%
				Terminal cap rate	6.07%	4.90%
German real estate property	EUR 1,888,710	EUR 804,260	DCF	Value per square meter	EUR 3,710	EUR 1,928
				Market rent per square meter	EUR 15.81	EUR 12.07
				Discount rate	3.91%	5.13%
				Terminal cap rate	4.32%	5.07%

\* Reported fair value excludes right-of-use assets per IFRS 16.

### Sensitivity analysis

The main value drivers influenced by the market for commercial properties are the market rents and their movement, rent increases, the vacancy rate and interest rates. Significant increases (decreases) in market rent and rent increases in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in vacancy rates and discount rate (and exit yield) in isolation would result in a significantly lower (higher) value.

The effect of possible fluctuations in these parameters is shown separately for each parameter in the following table, for the German real estate properties. Interactions between the parameters are possible but cannot be quantified due to the complexity of the interrelationships.

Valuation parameter	Change in Parameter	Change in value 2019		Change in value 2018	
		EUR thousands	%	EUR thousands	%
Discount rate	-0.25%	24,828	1.31%	18,426	2.60%
Capitalization rate	-0.25%	48,899	2.59%	24,747	3.60%

Assuming all other variables remain constant, an opposite change in the parameters at the same percentage would have a similar impact on the value, although in the opposite direction.

The effect of possible fluctuations in these parameters is shown separately for each parameter in the following table, for the hotel properties located in the UK. Interactions between the parameters are possible but cannot be quantified due to the complexity of the interrelationships.

Valuation parameter	Change in Parameter	Change in value 2019		Change in value 2018 (restated)	
		EUR thousands	%	EUR thousands	%
Discount rate	-0.25%	27,100	1.86%	22,500	1.87%
Capitalization rate	-0.25%	38,300	2.62%	35,000	2.87%

## Note 7 – Assets and Liabilities Held for Sale

The Group expects to sale multiple properties which no longer meet the investment criteria or have already realized their material potential. The Group has initiated selling activities and for some of the properties discussions and negotiations are ongoing. These properties are located in Germany.

A breakdown of the assets and liabilities held for sale is provided below:

	31 December 2019 EUR thousands
<b>Assets</b>	
Investment property	297,034
Trade and other receivables	4,110
Cash and cash equivalents	2,742
Other assets	4,101
	<b>307,987</b>
<b>Liabilities</b>	
Loans and borrowings	8,399
Trade and other payables	17,135
Other long-term liabilities	130
Deferred tax liabilities	9,520
	<b>35,184</b>
<b>Net assets held-for-sale</b>	<b>272,803</b>



## Note 8 - Trade and Other Receivables

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Rent and service charge receivables	5,382	18,099
<i>Less: provision for impairment</i>	(1,815)	(1,290)
	<b>3,567</b>	<b>16,809</b>
Receivables on related parties (Note 21)	14,964	415
Receivables in relation to transactions	17,848	-
Receivable on NCI shareholder	4,622	4,629
VAT refundable	7,142	1,681
Tax receivables	995	1,051
Other receivables	74	489
<b>Total</b>	<b>49,212</b>	<b>25,074</b>

Rent and service charge receivables are non-interest bearing and are typically due within 30 days. Refer to Note 22 Financial Instruments for further detail on credit risk.

## Note 9 – Equity

### Share capital and share premium

The issued and fully paid share capital of the Company as at incorporation date is fixed EUR 12,000 represented by 12,000 shares having a nominal value of one euro each (“the Shares” and each a “Share”).

On 22 November 2018 the Company issued 2 shares to its parent company, Vivion Holdings S.à r.l., for the acquisition of 100% of the share capital of Vivion CP and LIC 210 (see Note 1).

### Composition of the share capital:

	2019 EUR thousands
Share premium reserve	53,030
Contributions	-
<b>At 31 December 2019</b>	<b>53,030</b>

	2018 EUR thousands
26 October 2018	-
Contributions	53,030
<b>At 31 December 2018</b>	<b>53,030</b>

## Note 10 – Loans and Borrowings and Bonds

### A. Loans and borrowings composition

	Weighted average interest rate loans	Maturity	31 December 2019 EUR thousands	31 December 2018 EUR thousands
EUR Loans from credit institutions (1–4)	1.77%	2023	149,370	104,829
GBP Loans from credit institutions (1–2)	3M Libor + 3.60%	2024– 2027	518,516	765,042
Credit facilities from banks (5)	1.80%	2026	95,500	-
<b>Total non-current interest bearing loans and borrowings</b>			<b>763,386</b>	<b>869,871</b>
Loans classified as held for sale			8,399	15,742
Current maturities of loans and borrowings			10,166	8,896
<b>Total</b>			<b>781,951</b>	<b>894,509</b>

- (1) As part of the bank loans received by the Group, the Group companies have undertaken to maintain certain financial ratios, inter-alia, LTV ratios, debt service coverage ratio, interest coverage ratios, NOI Debt Yield minimum and loan to annual rent ratio. As at 31 December 2019, the Group is fully compliant with all covenant requirements.
- (2) To secure bank loans and borrowings the Group pledged properties whose total fair value at the Report Date amounts to EUR 1,675.1 million (2018: EUR 1,675.0 million).
- (3) As part of an asset acquisition in January 2019 as per note 5B, the group acquired bank loans in aggregate amount of EUR 52 million with an annual weighted average interest rate of 2.25%.
- (4) On 30 September 2019, a subsidiary of the Group was able to refinance an existing bank loan in amount of EUR 105.1 million with 3M Euribor + 1.54%, maturing September 2024.
- (5) On 2 October 2019, a subsidiary of the Group received a bank facility agreement in the amount of EUR 102.3 million, of which EUR 95.5 million have been drawn down as of the Reporting Date. The loan bears an interest rate of 3M Euribor + 1.80%, maturing October 2026.

## B. Senior Unsecured Bonds

In July 2019 the Company completed its unsecured public market debut through the issuance of EUR 700 million Senior Unsecured Notes due July 2024. In October 2019 the company had a successful second issuance of EUR 300 million Senior Unsecured Notes due October 2026. The Notes are admitted to the Official List of Euronext Dublin and are trading on the Global Exchange Market of Euronext Dublin.

Senior Unsecured Bonds	Currency	Nominal amount (in millions)	Coupon rate (p.a., %)	Issue price (%)	Issuance-maturity	31 December 2019
Bond I	EUR	700	3.000%	100	08/2019 - 08/2024	683,678
Bond II	EUR	300	3.500%	98.679	10/2019 - 10/2025	291,589
<b>Total Senior Unsecured Bonds</b>						<b>975,267</b>
<b>Total accrued interest on Senior Unsecured Bonds</b>						<b>10,167</b>

## C. Reconciliation of carrying amount

The reconciliation of the changes in interest-bearing loans, bonds and borrowings arising from financing activities is provided below:

	1 January 2019 EUR thousands	Acquisitions (disposal) of subsidiaries, net EUR thousands	New bank loans EUR thousands	Repayment of bank loans EUR thousands	Issuance of notes EUR thousands	Debt issuance costs EUR thousands	Amortization of debt issuance costs EUR thousands	Foreign exchange effect EUR thousands	31 December 2019 EUR thousands
Loans and borrowings	<b>894,509</b>	60,183	518,819	(716,295)	-	(4,842)	9,017	20,559	<b>781,951</b>
Senior Unsecured Bonds	-	-	-	-	996,037	(22,458)	1,688	-	<b>975,267</b>

	2 April 2018 EUR thousands	Acquisitions (disposal) of subsidiaries, net EUR thousands	New bank loans EUR thousands	Repayment of bank loans EUR thousands	Issuance of notes EUR thousands	Debt issuance costs EUR thousands	Amortization of debt issuance costs EUR thousands	Foreign exchange effect EUR thousands	31 December 2018 EUR thousands
Loans and borrowings	-	694,669	799,282	(579,419)	-	(10,858)	1,131	(10,295)	<b>894,509</b>

## Note 11 – Loans with Related Parties and Non-Controlling Interests

### A. Loans from related parties and non-controlling interests

Loans from related parties include loans from shareholders, and other related parties. Further detail is provided below:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Vivion Holdings S.à r.l. - EUR (1)	282,960	304,139
Vivion Holdings S.à r.l. - GBP 442,331 (1)	497,002	408,588
Accrued interest on related party loans (1)	75,155	27,040
Other related party loans (4)	622	6,370
<b>Related party loans</b>	<b>855,739</b>	<b>746,137</b>
Loans from non-controlling interests - Golden (2) (3)	306,530	206,995
Other loans from non-controlling interests (4)	4,722	-
<b>Total</b>	<b>1,166,991</b>	<b>953,133</b>

(1) The loans bear 5.25%-5.90% annual interest rate which is compounded to the loan principal on an annual basis, payable in the 10th anniversary year (2028). In addition, the Company at its sole discretion, have the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. The Company may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own Ordinary shares according to a fixed to variable conversion price which reflects the Company's value based on external valuation report as of the date of conversion. The loans are unsecured and subordinated to the other Company's loans.

(2) As part of the share subscription agreements with non-controlling interest shareholders in Golden, the non-controlling interest shareholders provided loans to Golden (the "Investors' Loans"). The loans have a principal value of EUR 287.5 million and bear 5.25% annual interest rate which is compounded to the loan principal on an annual basis, payable in the 10th anniversary year (2028 and 2029). In addition, Golden at its sole discretion, have the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. It was also agreed that Golden may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own ordinary shares according to a conversion price which reflects Golden's share capital value based on external valuation report as of the date of conversion.

The Investors' Loans are unsecured and subordinated to bank loans in Golden.

(3) Any prepayment or conversion of the Investors' Loans may be executed only on a pro rata basis according to each shareholder stake in Golden.

(4) Loans from shareholders and non-controlling interests are unsecured and subordinated to the other Group debt to third parties.

## B. Investment and loans to equity-accounted investee

Loans from related parties include loans from shareholders, and other related parties. Further detail is provided below:

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
Investment in equity-accounted investee	3,206	-
Loans to equity-accounted investee	10,684	-
<b>Total</b>	<b>13,890</b>	<b>-</b>

The balance as at 31 December 2019 reflects a 50% joint-venture investment, where the Group contributed loans in amount of EUR 10.5 million.

## Note 12 – Trade and other payables

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
Trade payables	21,720	10,487 *
Other accrued expenses	9,245	13,771
<b>Total</b>	<b>30,965</b>	<b>24,258</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

\* Refer to note 2A, items were reclassified.

## Note 13 – Other short term liabilities

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
Accrued interest on loans, borrowings and bonds	15,263	5,368
Deferred income	13,852	2,516
Other	826	706
<b>Total</b>	<b>29,941</b>	<b>8,590</b>

## Note 14 – Contingent liabilities and commitments

The Group is exposed to various other legal claims arising from the ordinary course of business which are individually and in aggregate considered not material.

In addition, the Group has approximately EUR 49.9 million in short-term commitments to future capital expenditure on properties in Germany.

## Note 15 – Revenues

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Revenues from contracts with customers	178,611	167,465
Rental income	98,759	24,777
	<b>277,370</b>	<b>192,242</b>

For further information regarding reportable segments, see Note 20 on Operating Segments.

The Group completed the restructuring of its hotel portfolio in the United Kingdom. This resulted in the disposal of the hotel operations outside of the Group, with the hotel properties remaining. The Group entered into index linked lease agreements with the respective tenants of the properties for a minimum period of 16 years, resulting in annual EUR 90.9 million (GBP 77.3 million) additional in-place rent.

## Note 16 – Service charge, other property operating expenses and cost of sales

### A. Leased investment property

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Service charge expenses	14,614	9,050 *
Property operations and maintenance	2,208	1,344
Others	3,172	590
<b>Subtotal</b>	<b>19,994</b>	<b>10,984</b>

\* Refer to note 2A, items were reclassified.

## B. Hotel operations

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Salaries and related expenses	35,802	31,224
Cost of inventories	21,646	20,111 *
Other hotel operation expenses	10,556	7,970
Real estate taxes and insurance	10,307	10,234
<b>Subtotal</b>	<b>78,311</b>	<b>69,540</b>
<b>Total operating expenses</b>	<b>98,307</b>	<b>80,524</b>

\* Refer to note 2A, items were reclassified.

<b>Presented in:</b>	
Cost of hotel operations	60,069
Other property operating expenses	23,624
Service charge expenses	14,614
	<b>98,307</b>

Refer to note 5C and 15 for description of the hotel restructuring which impacts the cost of sales in relation to the Groups hotel operations.

## Note 17 - Selling and Administrative Expenses

### Selling expenses

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Sales, marketing and brand fees	10,923	10,636 *
Travel agents commissions	9,164	8,502
Salaries and related expenses	2,661	1,880
Other selling expenses	761	130 *
<b>Total selling expenses</b>	<b>23,509</b>	<b>21,148</b>

\* Refer to note 2A, items were reclassified



## Administrative expenses

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Legal and professional fees	11,982	2,226*
Salaries and related expenses	9,692	8,998
Acquisition costs	7,684	3,752
Audit fees	1,144	751
Other general and administrative expenses	5,991	8,083*
<b>Total administrative expenses</b>	<b>36,492</b>	<b>23,810</b>

\* Refer to note 2A, items were reclassified

## Note 18 - Finance expenses

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Interest expense on bank loans	40,885	21,805
Interest expense on bonds	10,167	-
Interest expense on related party loans	44,054	27,040
Interest expense on loans from NCI	14,160	6,790
<i>Less: amounts capitalized</i>	<i>(3,579)</i>	<i>(3,474)</i>
<b>Total interest expense</b>	<b>106,687</b>	<b>52,161</b>
Interest income on third parties	(1,421)	-
<b>Total net interest expense</b>	<b>105,265</b>	<b>52,161</b>
Credit card charges	3,169	1,889
Lease financing expenses per IFRS 16	5,402	-
Amortization of finance fees	10,606	1,131
Cash flow hedge result	3,491	2,763
Other finance expense	5,152	367
<b>Total finance expenses</b>	<b>133,085</b>	<b>58,311</b>

## Note 19 - Income tax

The main tax laws imposed on the Group companies in their countries of residence:

### (1) United Kingdom

The UK subsidiaries are subject to taxation under the laws of the United Kingdom. The corporation tax rate for UK companies in 2019 is 19%.

### (2) Germany

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15% for 31 December 2019, plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregate tax rate: 15.825%).

### (3) Luxembourg

The Company and part of its subsidiaries are subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourgish companies is per 1 January 2019 reduced to 24.94% (2018: 26.01%).

### (4) Cyprus

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5%. Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

## Composition of income tax expense (income)

The major components of income tax expense recorded in the profit or loss statement are:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Current tax expense</b>		
Current year	13,927	4,973
Adjustments for prior years, net	3,013	[911]
	<b>16,940</b>	<b>4,063</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	78,829	50,633
<b>Income tax expense</b>	<b>95,769</b>	<b>54,696</b>

Reconciliation of tax expense and the accounting profit multiplied by Luxembourg's tax rate is as follows:

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
<b>Accounting profit before income tax</b>	<b>585,078</b>	<b>332,606</b>
At Luxembourg statutory tax rate of 24.94%	145,919	86,511
Income not taxable for tax purposes	(19,018)	(8,593)
Non-deductible expenses	10,143	2,964
Effect of tax rates in foreign jurisdictions	(52,381)	(27,708)
Deferred tax assets not recognized for tax losses and other timing differences	3,083	2,705
Adjustments for prior years	3,013	(911)
Other differences, net	5,011	(272)
<b>Income tax expenses reported in the statement of profit or loss</b>	<b>95,769</b>	<b>54,696</b>

The deferred income tax liability is reflected in the statement of financial position as follows:

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
Deferred tax liabilities	193,927	103,416
Investment property liabilities held for sale	9,520	10,092
<b>Total deferred income tax liability</b>	<b>203,447</b>	<b>113,508</b>

The deferred income tax liability arises from the following components:

	<b>31 December 2019</b> EUR thousands	<b>31 December 2018</b> EUR thousands
Per beginning period	113,508	-
Revaluations of investment property to fair value	80,831	50,633
Acquired through business combination	22,470	64,194
Derecognition due to disposal of subsidiary	(15,670)	-
Foreign exchange differences	5,738	(1,349)
Other	(3,430)	30
<b>Total</b>	<b>203,447</b>	<b>113,508</b>

## Note 20 - Operating Segments

The Group has two reportable segments - as described below, which form the Group's strategic business units. The allocation of resources and evaluation of performance are managed separately for each business unit because they have different asset class and different geography, hence exposed to different risks and required yields.

For each of the business units, the Group's chief operating decision maker (CODM) reviews management reports on at least a quarterly basis for:

- Properties located in Germany
- Properties located in the United Kingdom

Commercial properties in Germany include predominately office asset class (88.5% of the total fair value of the German portfolio as of the Report Date). The other asset class in Germany include hotels, residential and retail investment property. None of these segments meets any of the quantitative thresholds for determining reportable segments during the Reporting period.

The accounting policies of the operating segments are the same as described in Note 3 regarding significant accounting policies presented above. Performance is measured based on segment operating profit as included in reports that are regularly reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the segments' results. Segment results reported to the CODM including items directly attributable to a segment on a reasonable basis. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities. Segment assets comprise mainly investment property, cash and equivalents and operating receivables whereas segment liabilities comprise mainly borrowings and operating payables.

Information regarding the results of each reportable segment is provided below:

	United Kingdom	Germany	Total Consolidated
	EUR thousands	EUR thousands	EUR thousands
<b>Year ended 31 December 2019</b>			
Revenues	226,348	51,023	277,370
Operating expenses	(81,075)	(17,232)	(98,307)
<b>Reportable segment gross profit</b>	<b>145,272</b>	<b>33,790</b>	<b>179,063</b>
Selling and administrative expenses	(52,213)	(7,788)	(60,001)
Changes in fair value of investment property	42,376	479,064	521,440
<b>Reportable segment operating profit</b>	<b>135,436</b>	<b>505,066</b>	<b>640,502</b>
Bargain purchase gain			39,378
Profit on disposal			35,077
Share in profit from equity-accounted investee			3,206
Net finance expenses			(133,085)
<b>Profit before tax</b>	<b>135,436</b>	<b>505,067</b>	<b>585,078</b>

Year ended 31 December 2018	United Kingdom EUR thousands	Germany EUR thousands	Total Consolidated EUR thousands
Revenues	163,064	29,178	192,242
Operating expenses	(69,540)	(10,984)	(80,524)
<b>Reportable segment gross profit</b>	<b>93,524</b>	<b>18,194</b>	<b>111,718</b>
Selling and administrative expenses	(38,724)	(87)	(38,811)
Changes in fair value of investment properties	115,605	165,214	280,819
<b>Reportable segment operating profit</b>	<b>170,405</b>	<b>183,321</b>	<b>353,726</b>
Bargain purchase gain			43,207
Administrative expenses			(6,147)
Net finance expenses			(58,180)
<b>Profit before tax</b>			<b>332,607</b>

## Note 21 – Related party disclosures

The immediate parent of the Company is Vivion Holdings S.à r.l., a company incorporated in Luxembourg and registered at 155 Rue Cents, 1319, Luxembourg.

The consolidated financial statements of the Group include the financial statements of the parent and its subsidiaries. The principal activities of the Group are described in Note 1. The Group's investment in significant subsidiaries are listed in the following table:

Subsidiary <i>Subsidiaries held directly and indirectly by the Company</i>	Country of incorporation	Principal activities	% equity interest 2019	% equity interest 2018
Lux Investment Company 210 S.à r.l.	Luxembourg	Financing	100%	100%
Ribbon HoldCo Limited	United Kingdom	Holdings	100%	100%
UK Investment Company 211 Mezz HoldCo Limited	United Kingdom	Holdings	100%	100%
Zinc Hotels HoldCo Limited	United Kingdom	Holdings	100%	100%
Vivion Capital Partners S.A.	Luxembourg	Financing	100%	100%
Golden Capital Partners S.A.	Luxembourg	Holdings	51.5%	60.3%

The following balances with related parties are included in the consolidated financial statements:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Consolidated statement of financial position</b>		
Receivables from related parties	14,964	486
Investment and loans to equity-accounted investee	10,684	-
Loans to related parties	-	1,119
	<b>28,854</b>	<b>1,605</b>
Payables to related parties	-	(94)
Loans from related parties	(855,739)	(746,137) *
	<b>(855,739)</b>	<b>(746,231)</b>
<b>Net payable to related parties</b>	<b>(826,855)</b>	<b>(744,626)</b>
<b>Consolidated statement of profit or loss</b>		
Rental income	36,952	0
Interest income on loans to related parties	2,208	71
Services and management fee charges	(2,415)	(779)
Interest on loans from Related Parties	(43,248)	(27,040)
<b>Net expense relating to related party transactions</b>	<b>(6,503)</b>	<b>(27,749)</b>

Certain companies belonging to the Golden group are engaged with affiliated companies to the ultimate beneficial owner of the Company for providing services to these Golden group companies. These services include General Management, Asset Management, Property Management, Project Management and Facility Management, which are being charged for as rates of the rental income of the respective property company, according to the agreement with the Investors. The above amount excludes facility management fees recoverable from tenants.

Certain hotel companies in the UK belonging to the Group are engaged with affiliated companies to the ultimate beneficial owner of the Company for providing services to these group companies. These services are Property Management which are being charged for as rates of the Gross Operating Profit of the respective hotel company.

Following the Propco reorganization as described in note 5C and 15, rental agreements in an aggregate amount of GBP 77.3 million were signed with affiliated companies. The lease agreements for our UK hotel properties provide for fixed lease payments which are secured in substantially all cases by rent guarantees. Substantially all Hotel OpCo minority investors provided rent guarantees.

There were no dividends paid to non-controlling interests in the year.

## Note 22 - Financial Instruments and risk management

The Group's principal financial liabilities are loans, notes and borrowings. The main purpose of these loans, notes and borrowings is to finance the acquisition of its property portfolio. The Group has rent and other receivables, trade and other payables and cash and cash equivalents that arise directly from its operations.

### 22.1 Composition of financial instruments

#### *Financial assets*

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Financial assets at amortized cost</b>		
Trade and other receivables	49,212	25,074
Cash and cash equivalents	128,473	61,213
Advances payment for investment property	29,973	111,451
Restricted bank and other deposits	21,707	22,557
Other financial assets	18,982	1,712
<b>Financial assets at fair value through profit or loss</b>		
Derivative financial assets	555	3,686
<b>Total</b>	<b>248,902</b>	<b>225,693</b>

#### *Financial liabilities*

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
<b>Financial liabilities at amortized cost</b>		
Trade and other payables	30,965	32,143
Income tax payables	9,265	3,487
Other short-term liabilities	29,941	705
Loans and borrowings*	773,552	878,767
Bonds	975,267	-
Loans from related parties	855,739	746,138
Loans from non-controlling interests	311,252	206,995
Tenant deposits	2,679	1,475
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative financial liabilities	230	-
<b>Total</b>	<b>2,988,890</b>	<b>1,869,709</b>

\* Including current maturities of loans and borrowings.



## 22.2 Risk Management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

This note presents quantitative and qualitative information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

The Board of Managers has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### 22.2.1 Credit risk

Credit risk is the risk of financial loss to the group if a tenant or counter party to a financial instrument fails to meet its contractual obligations and arises mainly from the group's receivables from tenant. The Group has no significant concentration of credit risk.

Impairment losses on financial assets were recognized as follows:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Impairment loss on receivables arising from contract with customers	1,816	1,290
Impairment loss on cash and cash equivalents	-	-
Impairment loss on derivative financial instruments	-	-

#### **Receivables**

The Group has policies in place to ensure that lease contracts are made with tenants which have an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Credit risk is further managed by requiring tenants to pay rentals in advance. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

#### **Cash and cash equivalents**

The Group holds cash and cash equivalents with banks and financial institutions with a short-term rating of P1 to P3 based on the ratings of Moody's.

Impairment on cash and cash equivalents has been measured on the basis of the expected loss. The Group considers that its cash and cash equivalents have low credit risk based on the credit ratings of the counterparties.

## Derivatives

The counterparty of the derivatives held by the Group is financial institutions rated A1 based on the rating of Moody's.

### 1. Exposure to credit risk

The maximum exposure to credit risk for rent and other receivables at the reporting date by geographic regions was as follows:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Euro-zone countries	30,867	15,580
United Kingdom	18,345	15,117
<b>Total</b>	<b>49,212</b>	<b>30,697</b>

The maximum exposure to credit risk for rent and other receivables, cash and cash equivalents and derivative financial instruments at the reporting date by type of counterparty was as follows:

	31 December 2019 EUR thousands	31 December 2018 EUR thousands
Trade and other receivables	49,212	30,697
<b>Cash and cash equivalents</b> (including restricted bank and other deposits)		
Rated P1	147,144	89,254
Rated P2	2,989	1,176
Rated P3	2,789	-
<b>Derivative financial instruments</b>		
Rated A1	324	3,686
<b>Total</b>	<b>202,458</b>	<b>124,813</b>

### 2. Assessment of expected credit losses

As at 31 December 2019, the breakdown of rent receivables is set out below:

	Gross carrying amount EUR thousands	Provision for impairment EUR thousands	Credit impaired financial asset EUR thousands
Not past due	38	-	38
Past due 0-30 days	1,098	-	1,098
Past due 31-120 days	498	-	498
Past due 120 days to one year	2,622	690	1,932
Past due more than one year	1,126	1,126	-
<b>Total</b>	<b>5,382</b>	<b>1,816</b>	<b>3,566</b>

As at 31 December 2018, the breakdown of rent receivables is set out below:

	<b>Gross carrying amount</b> EUR thousands	<b>Provision for impairment</b> EUR thousands	<b>Credit impaired financial asset</b> EUR thousands
Not past due	14,708	-	14,708
Past due 0-30 days	354	-	354
Past due 31-120 days	1,664	-	1,664
Past due 120 days to one year	570	487	83
Past due more than one year	803	803	-
<b>Total</b>	<b>18,099</b>	<b>1,290</b>	<b>16,809</b>

The fair value of the receivables approximates the net carrying amount.

## 22.2.2 Liquidity risk

Cash flow forecasts are determined on both an individual company basis and a consolidated basis. The Company examines current forecasts of its liquidity requirements to ensure that there is sufficient cash for its operating needs, and it is careful at all times to have enough unused credit facilities so that the Company does not exceed its credit limits. These forecasts take into consideration matters such as plan the Group may occasionally have to use additional debt and/or equity for financing its activity, as well as compliance with law requirements.

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments. This disclosure excludes the impact of netting agreements:

	<b>2019 Carrying amount</b> EUR thousands	<b>Contractual cash flows</b> EUR thousands	<b>2020</b> EUR thousands	<b>2021</b> EUR thousands	<b>2022</b> EUR thousands	<b>&gt; 2023</b> EUR thousands
Loans and borrowings	<b>773,551</b>	<b>881,943</b>	44,169	44,500	44,805	748,469
Bonds	<b>975,267</b>	<b>1,168,000</b>	31,500	31,500	31,500	1,073,500
Loans from related parties	<b>855,739</b>	<b>1,334,432</b>	-	-	(5,119)	1,375,920
Loans from non-controlling interests	<b>311,252</b>	<b>456,408</b>	-	-	6,260	450,148
Tenant deposits	<b>2,679</b>	<b>2,784</b>	514	107	127	2,037
Trade and other payables	<b>30,965</b>	<b>30,965</b>	30,965	-	-	-
<b>Total</b>	<b>2,949,453</b>	<b>3,874,532</b>	<b>107,148</b>	<b>76,107</b>	<b>77,573</b>	<b>3,650,074</b>

	<b>2018 Carrying amount EUR thousands</b>	<b>Contractual cash flows EUR thousands</b>	<b>2019 EUR thousands</b>	<b>2020 EUR thousands</b>	<b>2021 EUR thousands</b>	<b>&gt; 2022 EUR thousands</b>
Loans and borrowings	<b>894,509</b>	<b>1,115,786</b>	74,269	57,500	159,688	824,329
Shareholders loans	<b>712,727</b>	<b>1,188,897</b>	-	-	-	1,188,897
Other loans from related parties	<b>6,370</b>	<b>8,328</b>	-	3,009	1,641	3,678
Loans from non-controlling interests	<b>206,995</b>	<b>308,423</b>	10,867	10,867	10,867	275,821
Tenant deposits	<b>1,475</b>	<b>1,475</b>	487	67	51	870
Trade and other payables	<b>32,143</b>	<b>32,143</b>	32,143	-	-	-
<b>Total</b>	<b>1,854,219</b>	<b>2,655,052</b>	<b>117,766</b>	<b>71,443</b>	<b>172,248</b>	<b>2,293,596</b>

As disclosed in Note 10 regarding loans and borrowings, the Group has secured bank loans which contain financial covenants. The breach of a financial covenant may require the Group to repay part of the loans earlier than indicated in the above table.

The actual interest payments on variable interest rate loans may be different from the amounts in the above table.

The liquidity analysis presented above includes maximum amounts that may be required in respect of a financial guarantee granted. Nevertheless, it is clarified that the Group does not expect to pay these amounts as the debtor is not expected to default.

Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### 22.2.3. Interest rate risk

The Group is exposed to interest rate risk from its variable-rate debt instruments as the Group's interest-bearing borrowings bear Euribor based variable interest. An increase in the Euribor interest rate would cause an increase in the Company's interest expenses and financing cash outflows. The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and pre-tax equity. It should be noted that the impact of movement in the variables is not necessarily linear.

The impact on the Group's annual finance expenses would be as follows:

	<b>31 December 2019</b> EUR thousands		<b>31 December 2018 (restated)</b> EUR thousands	
	<b>+ 15 bps</b>	<b>- 15 bps</b>	<b>+ 15 bps</b>	<b>- 15 bps</b>
3M Libor	790	(790)	1,170	(1,170)
3M Euribor	39	(39)	357	(357)

During the year, one of the Company's subsidiaries purchased two interest rate caps, to hedge the interest risk of the GBP Libor interest rate up to 2%, in notional amount of GBP 515 million. The derivative is not accounted for through hedging accounting. The fair value of the interest rate cap as of the Report Date amounted to GBP 3.3 million (EUR 3.7 million).

#### ***Fair value sensitivity analysis for fixed rate instruments***

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

### **Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### **22.2.4. Foreign currency risk**

The Group functional currency is the Euro. The Group has net investments in foreign operations whose functional currency is the GBP and is therefore exposed to currency risk due to the fluctuations of the currency exchange rates in translation of financial statements of the foreign operations from GBP to EUR.

Interest on borrowings is denominated in the currency of the borrowing. Generally, according the Group's policy loan borrowings are obtained in currencies that match the cash flows generated by the respective underlying operations of the Group, primarily GBP and EUR. This provides an economic hedge without derivatives being entered into and without application of hedge accounting.

The company continuously monitors its foreign currency exposure both from a fair value and cash flow perspective. To the extent there is no natural hedging, the Group ensures that its net exposure is kept to an acceptable level by keeping these foreign assets or liabilities to minimum levels. The Group entered into GBP/EUR forward contracts to hedge GBP exposure with notional value of GBP 100 million as per the Reporting date.

#### **22.2.5. Other risks**

The Group's portfolio is located in major cities and strong markets throughout Germany and the United Kingdom. The current regional distribution structure enables the Group on one hand to benefit of economic scale, and on the other provided a diverse well allocated and risk-averse portfolio.

## 24.2.6. Capital management

The Group manages its capital in order to ensure it is able to continue as a going concern with preservation of liquidity. The Group aims to increase the overall portfolio value. Management continuously monitors performance indicators, such as Loan to Value ratio (LTV), which is calculated on both entity and portfolio levels, where applicable, which enables monitoring to remain within its quantitative covenants originating from bank financing, other debt financing instruments and to support its credit rating. We are committed to optimizing our capital structure in order to reduce our overall cost of capital, balance our cash flow profile and maximize operational flexibility. In order to achieve this, we regularly access both debt and equity capital from a range of capital providers. During the reporting period, the Group complied with all externally imposed capital requirements and financial covenants.

## Note 23 - Subsequent Events

- A. On 7 January 2020, the Group acquired 2 hotels in London (UK) in a share deal. The Group paid a down payment of GBP 25.5 million (EUR 29.9 million) in December 2019. The acquisition will be treated as a business combination based on IFRS 3, Business Combinations.

The purchase price will be allocated to the net identifiable assets and liabilities based on their relative fair values at the Acquisition Date, as follows based on provisional amounts:

	EUR thousands
Investment properties	350,578
Cash	3,264
Trade and other receivables	3,573
Inventory	379
Deferred tax liabilities	(3,780)
Other financial liabilities	(7,036)
<b>Total identifiable assets</b>	<b>346,978</b>
Gain on bargain purchase	(47,989)
<b>Total consideration</b>	<b>298,989</b>
<b>Satisfied by:</b>	
<b>Cash</b>	<b>298,989</b>
<b>Cash flow analysis:</b>	
Cash consideration	298,988
Less: cash and cash equivalent balances acquired	(3,264)
Less: advance payments in 2019	(29,950)
<b>Net cash outflow arising on acquisition</b>	<b>265,774</b>

Transaction costs amounted to approximately GBP 5 million (EUR 5.9 million).

- B. On 6 January 2020, the Group received additional capital contributions amounting to EUR 250 million from Vivion's controlling shareholder.
- C. On 3 February 2020 the Group obtained a bank loan in an amount of EUR 29 million. The loan bear interest rate of 3M Euribor plus 1.51% with final maturity on 31 November 2024 and is secured by a property with fair value of EUR 63.2 million. The group acquired an interest rate cap derivative to mitigate the interest risk exposure.
- D. On 5 March 2020 Golden completed the increase of the company's capital and shareholder loans, where Investors and Vivion as controlling shareholder contributed capital in the amount of EUR 201.9 million and granted shareholders' loans amounting to EUR 354.6 million.
- E. The Coronavirus pandemic has created disturbance to global civilisation and the economy. However, the Company believes that its resilient capital structure together with the geographic, asset and tenant diversification within its real estate portfolio places it in a strong position to manage this currently challenging market environment.

The Group's portfolio has not seen any material deviation in top line performance across both the UK and Germany: all rents have been received for the UK portfolio up until and including June 2020 and only a small portion of tenants in Germany have requested rent deferrals, for which short-term solutions will be sought together with the tenant.

In the UK, a number of hotel operators have secured significant revenue generating opportunities with the UK authorities to enhance their income and cash flow. The Group's subsidiaries are in close contact with its tenants, the hotel operators, that continue to stay up to date with new guidance and packages introduced by the UK government. Furthermore, the hotel operators are minimizing operational expenses at this time, including furloughing employees to access government funding under the COVID-19 Job Retention scheme, thus minimizing payroll costs.

From a funding perspective, the Group has a sufficient liquidity position to cover all expected cash outflows for the foreseeable future, even if the current situation of the shutdowns will be prolonged. The shareholder group remains committed to providing adequate liquidity to the Group. The Group has no material debt expiring in the foreseeing future (2020-2022).

The Group is continuously monitoring the portfolio for all developments regarding Covid-19 and is following all guidance. The Group has also implemented a programme to actively reduce operating expenses, postpone non-essential capital expenditure where realistically possible and make use of any relevant facilities or arrangements provided by the various national authorities to assist companies through the crisis. The Group is already prepared to increase the scope of these measures if the crisis were to persist for an extended period.



[www.vivion.eu](http://www.vivion.eu)



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