



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020



Vivion Investments S.à r.l.
155, Rue Cents
L-1319 Luxembourg

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FINANCIAL STATEMENTS
for the year ended
31 December 2020

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BOARD OF MANAGERS REPORT



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 audited consolidated financial statements for the year ended 31 December 2020. 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 2020 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 2020 and future developments

COVID-19

During the year 2020, the Company faced various hurdles due to the international lockdown restrictions related to the COVID-19 pandemic. The portfolio proved to be mostly resilient to the pandemic with no material deviation in top line performance across both the UK and German portfolio, as the period experienced strong collection rates. For 2020, the Group reports a 95% rent collection rate. For a number of tenants we entered into deferral agreements to support these tenant's cashflow.

The Group continues to monitor the situation towards COVID-19 and the impact thereof on the German portfolio. The review of cash flow forecasts and dunning procedures have top priority. The Group's diversified capital structure together with the geographic, asset and tenant diversification within its real estate portfolio places it in a strong position to manage the current challenges in today's environment.

Significant acquisition and disposal

On 7 January 2020, the Group acquired 2 hotels in London (UK) in a share deal for a total consideration of GBP 255 million (EUR 299 million).

During the Reporting Period, the Group gained control over 2 properties in Germany for a total consideration of EUR 21.4 million (EUR 22.7 million including transaction costs).

On 31 December 2020, a subsidiary of the Group has engaged with a third party in a contract for the sale of a group of subsidiaries holding an asset complex in the center of Berlin through a share deal. The asset complex consists of 3 standing buildings that include a mix of mainly office space, retail and leisure areas (with a total of 62,503 sqm area), 538 parking spaces and building rights for additional 44,000 sqm. A non-refundable deposit has been funded by the buyer after balance sheet date, with the expected completion being in 2021.

Financing

Several subsidiaries were able to secure multiple financing arrangements in 2020 for an aggregate amount of EUR 140 million. The loans are 3M Euribor margin loans with a coupon in the range of 1.38% and 2.10%, with maturity between 2024 and 2027. The loans are all secured for which properties were pledged.

On 27 July 2020 the group prepaid a secured loan in amount of GBP 59 million (EUR 65 million). The loan carried an interest of 3M Libor plus 6.25%.

On 13 August 2020, the Group issued in a private placement senior unsecured convertible bonds in amount of EUR 200 million due August 2025 with a coupon of 2.25%. The bonds are convertible at the option of an investor following an Initial Public Offering.

In October 2020 the internationally renowned rating agency S&P Global Ratings completed its annual review of the Company. S&P Global Ratings confirmed the Company's rating of "BB" with a stable outlook. In addition, S&P Global Ratings also re-confirmed the rating of "BB+" to the 2024 and 2025 Senior Notes. The Company's rating is unchanged since its initial rating was received in September 2019.

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 2020.

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. The Group strives to maximise this top-line growth through proactive asset management, marketing efforts and leveraging the location of its 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

There is a limitation in comparability of 2020 and 2019 operating figures, as operational results in the UK for the first 3 quarters of 2019 were fully derived from hotel income, whereas these are largely derived from rental income in 2020.

Revenues for year ending 2020 amounted to EUR 187 million (2019: EUR 277 million), out of which EUR 164 million attributable to rental revenue and EUR 23 million attributable to hotel income and service charge income. The revenue streams mix has changed due to the disposal of the hotel operations in Q3 of 2019 and the disposal of 1 hotel as of 31 December 2019.

Revenues in 2020 includes EUR 7 million of hotel income from the 2 hotels acquired in January 2020. The Company is in the process of disposing the hotel operations after which the revenue of the Group will comprise solely from rental and service charge income on investment properties.

The Group generated an operating profit, adjusted for valuation gains, profit on disposals and bargain purchase gains, and results of equity-accounted investees of EUR 127.1 million (2019: EUR 119.5 million), an increase of 6.4%.

As at 31 December 2020, the Groups portfolio had a fair value of EUR 4,350 million (EUR 4,036 million as of 31 December 2019) including EUR 1,001 million investment property classified as held for sale.

The Group has loans from credit institutions in amount of EUR 793 million and bonds of EUR 1.2 billion, including a convertible bond of EUR 200 million issued in August 2020 in a private placement. In addition to this external debt, the Group received shareholder loans of EUR 1.3 billion, which are subordinated to the loans from credit institutions.

The Company's prudent capital structure is reflected in a low LTV of 41.5% as of 31 December 2020.

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 28 of these consolidated 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 consolidated financial statements. The responsibilities of the audit committee relate to the integrity of the consolidated 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 consolidated 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 and disposals 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

On 31 December 2020 a subsidiary of the Group entered into a sale and lease back agreement for one of its hotels' freehold rights in London. The underlying lease is for 200 years with a buy back option in the end of the lease for 1 pound and a lease payment of GBP 1.2 million per annum. The transaction was completed on 2 February 2021. Total net proceeds from the transaction amount to GBP 52 million.

On 10 April 2021 the Group obtained an extension for the covenant waiver for one of its bank loans in the UK. The closure of hotels during the lockdown in the UK has impacted the operational metrics used for covenant testing purposes but has not impacted rental income due to the Group, which continued to be paid. The extension is for a period up to but excluding the interest payment date falling on 13 July 2022.

On 13 April 2021 the Group made a GBP 58 million repayment of its bank loan in the UK.

The Group completed the sale of various properties based in Germany, classified as held-for-sale as at 31 December 2020, for total proceeds of EUR 39 million.

Signed on 27 April 2021 by:


Oliver Wolf, Manager


Jan Fischer, Manager

CONSOLIDATED FINANCIAL STATEMENTS 2020





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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 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 2020 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 Board of Manager's report 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, actions taken to eliminate threats or safeguards applied.

Report on other legal and regulatory requirements

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

Luxembourg, 28 April 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



Oliver Collmann
Associate Partner

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

	Note	31 December 2020	31 December 2019
		EUR thousands	
Non-current assets			
Investment property	8	3,204,195	3,708,610
Advance payments for investment properties	8C	145,793	29,973
Investment and loans to equity-accounted investee	9	17,700	13,890
Property, plant and equipment		111	148
Derivative financial instruments		7	324
Restricted bank and other deposits		50,694	21,707
Other financial assets		15,135	18,982
Total non-current assets		3,433,635	3,793,634
Current assets			
Trade and other receivables	11,27	54,098	49,212
Prepayments		1,571	2,132
Inventories		268	-
Cash and cash equivalents		257,508	128,473
		313,445	179,817
Assets of disposal groups classified as held-for-sale	10	1,009,811	307,987
Total current assets		1,323,256	487,804
Total assets		4,756,891	4,281,437

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

Equity and liabilities

	Note	31 December 2020	31 December 2019
		EUR thousands	
Equity			
Issued share capital	12A	12	12
Share premium reserve	12A	154,030	53,030
Retained earnings		421,786	512,432
Foreign currency translation reserve		(12,019)	28,794
Total equity attributable to owners of the Company		563,809	594,268
Non-controlling interests	12B	500,540	393,036
Total equity		1,064,349	987,304
Liabilities			
Non-current liabilities			
Loans and borrowings	13, 16	779,186	763,386
Bonds	14, 16	980,094	975,267
Convertible bonds	14, 16	168,706	-
Loans from related parties	15, 27	828,414	855,739
Loans from non-controlling interests	15	502,135	311,252
Derivative financial liabilities	14	31,569	-
Tenant deposits		1,908	2,679
Long-term lease liabilities		74,902	76,362
Deferred tax liabilities	25	174,170	193,927
Total non-current liabilities		3,541,084	3,178,612
Current liabilities			
Trade and other payables	17, 27	49,021	30,965
Income tax payables		2,427	9,265
Other short-term liabilities	18	29,707	29,941
Current portion of loans from credit institutions	13	13,495	10,166
		94,650	80,337
Liabilities of disposal groups classified as held-for-sale	10	56,808	35,184
Total current liabilities		151,458	115,521
Total liabilities		3,692,542	3,294,133
Total liabilities and equity		4,756,891	4,281,437

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


Oliver Wolf, Manager


Jan Fischer, Manager

Date of approval of the consolidated financial statements: 27 April 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
EUR thousands			
Revenues			
Hotel income		7,122	168,786
Rental income		163,611	98,759
Service charge income		16,439	9,825
Total revenues	20	187,172	277,370
Operating expenses			
Cost of hotel operations		(6,377)	(60,069)
Other property operating expenses		(5,652)	(23,624)
Service charge expenses		(17,460)	(14,614)
Total operating expenses	21	(29,489)	(98,307)
Net operating income		157,683	179,063
Selling expenses	22	(1,139)	(23,509)
Administrative expenses	23	(29,419)	(36,492)
Valuation gains (losses) from investment property	8	(100,216)	521,440
Share in profit (loss) from investment in equity-accounted investees	12	(1,261)	3,206
Profit on disposal of investment property	7	641	35,077
Bargain purchase gain	7	28,164	39,378
Net gains (losses) on investment property		(72,673)	599,101
Operating profit		54,452	718,163
Interest income		859	1,421
Interest expenses on related party and non-controlling interest loans		(57,043)	(55,866)
Interest expenses on third parties		(56,600)	(50,821)
Other finance expenses		(16,591)	(27,820)
Finance expenses, net	24	(129,375)	(133,085)
Profit (loss) before tax		(74,923)	585,078
Income tax expense	25	208	(95,769)
Profit (loss) for the year		(74,715)	489,309
Attributable to:			
Owners of the Company		(90,646)	278,177
Non-controlling interests		15,931	211,132
		(74,715)	489,309

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 2020	For the year ended 31 December 2019
	EUR thousands	
Profit (loss) for the year	(74,715)	489,309
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	(40,813)	28,794
Other comprehensive income (loss):	(40,813)	28,794
Total comprehensive income (loss) for the year	(115,528)	518,103
Attributable to		
Owners of the Company	(131,459)	306,971
Non-controlling interests	15,931	211,132
	(115,528)	518,103

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
		EUR thousands	
Cash flows from operating activities			
Profit (loss) before tax		(74,715)	489,309
Adjustments to reconcile profit (loss) before tax:			
Net change in fair value of investment property	8	100,216	(521,440)
Profit from acquisition at bargain price	7	(28,164)	(39,378)
Profit on disposal of investment property	7	(641)	(35,077)
Net finance expense	24	129,375	133,085
Tax expense (income)	25	(208)	95,769
Depreciation		37	492
Share in (profit)loss from investment in equity-accounted investees	9	1,261	(3,206)
Change in inventories		111	963
Change in trade and other receivables		(7,960)	20,990
Change in trade and other payables		5,762	(41,355)
Change in tenant deposits		(771)	1,175
Taxes paid		(19,692)	(12,959)
Net cash from operating activities		104,611	88,368
Cash flows from investing activities			
Acquisition of investment property, net of cash acquired	7	(288,698)	(848,080)
Disposal of subsidiary, net of cash disposed of	7	23,714	207,971
Advances in respect of investment properties	8C	(145,793)	(29,973)
Capital expenditure and refurbishment of investment property	8	(57,440)	(15,970)
Capital expenditure on PP&E		-	(329)
Change in restricted bank and other deposits		(28,987)	863
Loans granted to equity accounted investees		(4,282)	(10,684)
Loan granted to non-controlling interest		-	(13,489)
Net cash from investing activities		(501,486)	(709,691)

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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 2020	For the year ended 31 December 2019
EUR thousands			
Cash flows from financing activities			
Proceeds from capital contributions of non-controlling interest shareholders		97,898	27,447
Proceeds from loans and borrowings	16	140,388	328,176
Repayment of loans and borrowings	16	(95,084)	(716,295)
Proceeds from issuance of bonds, net	16	-	973,579
Proceeds from convertible bonds	16	200,000	-
Proceeds from shareholder loans		64,882	34,330
Proceeds from loans from non-controlling interests		177,384	87,331
Payment of debt issuance costs		(3,859)	(4,424)
Interest paid		(57,309)	(41,488)
Payments relating to hedging activities		2,510	-
Net cash from financing activities		526,810	688,656
Net increase in cash and cash equivalents			
Cash and cash equivalents as at the beginning of the year/period		128,473	61,213
Effect of exchange rate differences on cash and cash equivalents		(389)	2,669
Cash classified as held for sale		(512)	(2,742)
Cash and cash equivalents as at the end of the year		257,508	128,473

During the Reporting Period EUR 3.8 million of capital expenditure of investment properties were invested but not yet paid.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Issued share Capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
EUR thousands							
Balance as at 1 January 2020	12	53,030	28,794	512,432	594,268	393,036	987,304
Total comprehensive income							
Profit (loss) for the year	-	-	-	(90,646)	(90,646)	15,931	(74,715)
Other comprehensive income	-	-	(40,813)	-	(40,813)	-	(40,813)
Total comprehensive income (loss) for the period	-	-	(40,813)	(90,646)	(131,459)	15,931	(115,528)
Transactions with owners, recognized directly in equity							
Equity contributions (Note 12)	-	101,000	-	-	101,000	97,898	198,898
Debt/equity restruc- turing of non-control- ling interest	-	-	-	-	-	(6,325)	(6,325)
Total transactions with owners	-	101,000	-	-	101,000	91,573	192,573
Balance as at 31 December 2020	12	154,030	(12,019)	421,786	563,809	500,540	1,064,349

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

	Issued share Capital	Share premium reserve	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
EUR thousands							
Balance as at 1 January 2019	12	53,030	(1,059)	234,005	285,988	112,498	398,485
Effect of initial application of IFRS 16	-	-	-	251	251	-	251
Balances as at 1 January 2019 after initial application	12	53,030	(1,059)	234,256	286,239	112,498	398,736
Total comprehensive income							
Profit for the year	-	-	-	278,177	278,177	211,132	489,309
Other comprehensive income	-	-	29,853	-	29,853	-	29,853
Total comprehensive income for the period	-	-	29,853	278,177	308,030	211,132	519,162
Transactions with owners, recognized directly in equity							
Equity contributions of non-controlling interest share-holders net of issue costs	-	-	-	-	-	27,447	27,447
Non-controlling interests arising on initial consolidation	-	-	-	-	-	46,922	46,922
Derecognition of non-controlling interests due to sale of subsidiaries	-	-	-	-	-	(4,963)	(4,963)
Total transactions with owners	-	-	-	-	-	69,406	69,406
Balance as at 31 December 2019	12	53,030	28,794	512,432	594,268	393,036	987,304

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

► NOTE 1 – CORPORATE INFORMATION

A. Incorporation and principal activities

The consolidated financial statements of Vivion Investments S.à r.l. and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 were authorized for issue by the Company’s Board of Managers on 27 April 2021 (the “Report Approval Date”).

Vivion Investments S.à r.l., (the “**Company**” or “**Vivion**”) 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 2020 was EUR 12,002 (2019: EUR 12,002) divided into 12,002 shares (2019: 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.

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 and Germany.

As at 31 December 2020 Vivion indirectly held 51.5% (2019: 51.5%) of the share capital of Golden Capital Partners S.A (“**Golden**”) and a 100% interest in Luxembourg Investment Company 210 S.à r.l. (“**LIC 210**”).

Golden’s business activities are focused on the German commercial real estate market with a focus on office properties. As at 31 December 2020 the Group owned 36 properties (2019: 39 properties) in Germany, which were classified as investment property.

LIC 210 focuses its business activities on investing in hotel properties located in the United Kingdom. As at 31 December, LIC 210 indirectly held a portfolio of 56 hotels (2019: 54 hotels), of which it acquired 2 hotels on 7 January 2020. Although the Group currently operates the 2 newly acquired hotels, its involvement in their operation is expected to be short-term as its intentions are to seek a third party tenant for the operation of the hotels. Therefore, the hotels are classified as investment property as at 31 December 2020.

B. Group rating

In October 2020 the internationally renowned rating agency S&P Global Ratings re-assigned a rating of “BB” with a stable outlook to the Company. In addition, S&P Global Ratings also re-assigned a rating of “BB+” to the 2024 and 2025 Senior Notes. The Company’s rating is unchanged since its initial rating was received in September 2019.

C. COVID-19

During the year 2020, the Company faced various hurdles due to the international lockdown restrictions related to the COVID-19 pandemic. The portfolio proved to be mostly resilient to the pandemic with no material deviation in top line performance across both the UK and German portfolio, as the period experienced strong collection

rates. For 2020, the Group reports a 95% rent collection rate. For a number of tenants the Group entered into deferral agreements to support these tenant's cashflow.

The Group continues to monitor the situation towards COVID-19 and the impact thereof on the UK and German portfolio. The review of cash flow forecasts and dunning procedures have top priority. The Group's diversified capital structure together with the geographic, asset and tenant diversification within its real estate portfolio places it in a strong position to manage the current challenges in today's environment.

D. 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 2020
- (8) Reporting Period – the period started on 1 January 2020 and ended on 31 December 2020

► NOTE 2 – BASIS OF PREPARATION

These consolidated financial statements of the Group 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).

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;
- Assets and liabilities classified as held-for-sale.

The consolidated financial statements are presented in EUR, and have been rounded to the nearest thousand, except when otherwise indicated.

► NOTE 3 – USE OF ESTIMATES, JUDGEMENTS AND FAIR VALUE MEASUREMENT

The preparation of financial statements in conformity with IFRSs 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 5.2

The Group acquires subsidiaries that own real estate. Upon the acquisition of such a subsidiary, 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.

Classification of investment property – Note 5.7

The Group acquires subsidiaries that own real estate to earn rental income or for capital appreciation, or both. When upon acquisition of a subsidiary, this subsidiary owns the investment property, but also earns income from operational activities, such as is the case in certain hotel operations, the Group's intention is to split these operations from the property ownership and install a third-party operator for the operations of the hotel. As the Group's involvement in these operations is expected to be short-term, the Group classifies the hotels as investment property with subsequent measurement at fair value.

Financial instruments – Note 5.9

When issuing a complex financial instrument (i.e. a convertible bond), the group uses judgement to determine the classification of the instrument's components as a financial liability or an equity instrument and examines, inter alia, whether the settlement is by exchanging a fixed amount of cash or other financial assets for a fixed number of the entity's equity instruments. In addition, the group also examines whether the complex instrument includes an embedded derivative (e.g. a call option) which is not closely related to the host contract and requires separation and measurement at fair value through profit or loss.

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 carrying 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 5.7

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 5.17

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.

► **NOTE 4 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted and methods of computation followed are consistent with those of the previous year, except for items disclosed below.

Amendment to IFRS 3, *Business Combinations*

The Amendment clarifies when a transaction to acquire an operation is the acquisition of a "business" and when it is the acquisition of a group of assets that according to the standard is not considered the acquisition of a "business". 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 attributable to a group of similar identifiable assets or to a single identifiable asset, this will not be the acquisition of a business. In addition, the minimum requirements for definition as a business have been clarified, and examples illustrating the aforesaid examination were added, 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. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods when the Group enters into further acquisitions. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures, Interest Rate Benchmark Reform ("the Amendments")

The Amendments include several mandatory reliefs relevant for examining whether a hedging relationship affected by the uncertainty arising from the IBOR (interbank offered rate) interest rate reform (hereinafter: "the reform"), which in the future will lead to the replacement of interest rates such as the Libor and Euribor, qualifies for hedge accounting. Thus for example:

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.

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. The Amendments are applicable retrospectively as from 1 January 2020. The relief included in the Amendments will end prospectively on the earlier of: the date the uncertainty arising from the reform no longer exists and the date the hedging relationship was discontinued.

Application of the Amendments did not have a material effect on the consolidated financial statements.

Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and to IAS 1, Presentation of Financial Statements

The Amendment redefines the term "materiality" so that it be used consistently in the Conceptual Framework and in the other various standards. According to the Amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users on the basis of the financial statements.

The Amendments are applicable on a prospective basis for annual periods beginning on or after 1 January 2020.

Application of the Amendments did not have a material effect on the consolidated financial statements.

► NOTE 5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if 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(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

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

Profit or loss 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.

5.2 Business combinations

The Group implements the acquisition method to all business combinations. The acquisition date is the date on which the acquirer obtains control over the acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred including any amounts recognized in respect of rights that do not confer control in the acquiree as well as the fair value at the acquisition date of any pre-existing equity right of the Group in the acquiree, less the net amount of the identifiable assets acquired and the liabilities assumed.

On the acquisition date the acquirer recognizes a contingent liability assumed in a business combination if there is a present obligation resulting from past events and its fair value can be reliably measured.

If the Group pays a bargain price for the acquisition (meaning including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date. Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

The consideration transferred includes the fair value of the assets transferred to the previous owners of the acquiree, the liabilities incurred by the acquirer to the previous owners of the acquiree and equity instruments that were issued by the Group. In a step acquisition, the difference between the acquisition date fair value of the Group's pre-existing equity rights in the acquiree and the carrying amount at that date is recognized in profit or loss under other income or expenses. In addition, the consideration transferred includes the fair value of any contingent consideration. After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability in profit or loss, whereas contingent consideration classified as an equity instrument is not re-measured.

Costs associated with the acquisition that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees, other than those associated with an issue of debt or equity instruments connected to the business combination, are expensed as incurred and included in administrative expenses.

5.3 Acquisitions of a property company

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. The basis of the judgment is set out in Note 3.

Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the entity or assets and liabilities is allocated between the identifiable assets and liabilities of the entity based on their relative values at 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.

5.4 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.

5.5 Foreign currency

The Group's consolidated financial statements are presented in euros, which is also the parent 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.

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 investment 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).

Foreign operations

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.

5.6 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. 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.

5.7 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 includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment property is measured 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 consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated 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.

5.8 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable expected that its carrying amount will be recovered primarily through sale rather than from continuing use. For this to be the case, the assets must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets.

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.

5.9 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 assessing 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 effective 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, 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.

5.10 Impairment

5.10.1 Non-derivative financial assets

Financial assets

The Group recognizes a provision for expected credit losses (ECLs) for all debt instruments except held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- Debt securities that are determined to have a low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

5.10.2 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.

5.11 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.

5.12 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.

5.13 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.

5.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(1) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets under investment property.

(2) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

5.15 Rent receivables

Rent receivables are recognized at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in this note.

5.16 Revenue recognition

The Group's key sources of income include:

- Rental income
- Revenue from contracts with customers:
 - services to tenants including management charges and other expenses recoverable from tenants
 - income from hotel operations, such as room rental and sale of food and beverage

The accounting for each of these elements is discussed below.

5.16.1 Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

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.

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.

5.16.2 Revenue from services to 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. Services include common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g. reception services, catering and other event related services). These services are specified in the lease agreements and are separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

The 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 is 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.

5.16.3 Revenue from hotel operations

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. 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.

5.17 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.

5.17.1 Current income tax

Current income 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.

5.17.2 Deferred tax

Deferred 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 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 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

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

ities. 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.

5.18 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 5
- Disclosures for valuation methods, significant estimates and assumptions – Note 3
- Investment properties – Note 8
- Derivatives and other financial instruments – Note 28

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 consolidated 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.

► NOTE 6 – STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below, if they are expected to have an impact on the Group's consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendment to IAS 1: *Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations-Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group has not yet commenced examining the effects of the Amendment on its consolidated financial statements.

IFRS 9: *Financial instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are

modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16, Leases, Interest Rate Benchmark Reform – Phase 2 ("the Amendments")

The Amendments include practical expedients regarding the accounting treatment of modifications in contractual terms that are a result of the interest rate benchmark reform (a reform that in the future will lead to the replacement of interest rates such as the Libor and Euribor). Thus for example:

- When certain modifications are made in the terms of financial assets or financial liabilities as a result of the reform, the entity shall update the effective interest rate of the financial instrument instead of recognizing a gain or loss.
- Certain modifications in lease terms that are a result of the reform shall be accounted for as an update to lease payments that depend on an index or rate.
- Certain modifications in terms of the hedging instrument or hedged item that are a result of the reform shall not lead to the discontinuance of hedge accounting.

The Amendments are applicable retrospectively as from January 1, 2021 with early application permitted. All the amendments are applicable retrospectively by amending the opening balance of equity for the annual reporting period in which the amendment was adopted without a restatement of comparative data. Restatement of comparative data is permitted if this is possible without using "hindsight".

In the opinion of the Group, application of the Amendments is not expected to have a material effect on its consolidated financial statements.

Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

According to the Amendment, when assessing whether a contract is onerous, the costs of fulfilling a contract that should be taken into consideration are costs that relate directly to the contract, which include as follows:

- Incremental costs; and
- An allocation of other costs that relate directly to fulfilling a contract (such as depreciation expenses for fixed assets used in fulfilling that contract and other contracts).

The Amendment is effective retrospectively for annual periods beginning on or after 1 January 2022, in respect of contracts where the entity has not yet fulfilled all its obligations. Early application is permitted. Upon application of the Amendment, the entity will not restate comparative data, but will adjust the opening balance of retained earnings at the date of initial application, by the amount of the cumulative effect of the Amendment.

The Group has not yet commenced examining the effects of the Amendment on its consolidated financial statements.

► NOTE 7 – SCOPE OF CONSOLIDATION

A. Business Combinations

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 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 24.0 million (EUR 28.2 million).

Per the Reporting date the Group operates the hotels. However, its involvement in their operation is expected to be short-term as the Group is in advanced stages to dispose its operations and engage a third-party tenant for the operation of the hotels. Therefore, the hotels are classified as investment property and subsequently measured at fair value.

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

	EUR thousands
Investment properties	351,762
Cash	3,164
Trade and other receivables	2,420
Inventory	379
Deferred tax liabilities	(23,509)
Other financial liabilities	(7,065)
Total identifiable assets	327,152
Less: Gain on bargain purchase	(28,164)
Total consideration	298,988
Satisfied by:	
Cash	298,988
Cash flow analysis:	
Cash consideration	298,988
Less: cash and cash equivalent balances acquired	(3,164)
Less: advance payments in 2019	(29,973)
Net cash outflow arising on acquisition	265,851

The total consideration paid in cash amounted to GBP 255 million (EUR 299 million). Transaction costs amounted to approximately GBP 6.0 million (EUR 7.0 million) and are included in Administrative expenses in the Statement of Profit and Loss.

From the date of the acquisition, the hotels have contributed GBP 6.1 million (EUR 7.1 million) to revenues.

B. Assets' acquisitions and disposals

During the Reporting Period, the Group gained control over 2 properties through acquisitions of companies. The

acquisitions were completed for a total consideration of EUR 21.4 million (EUR 22.7 million including transaction costs). The properties are located in Germany. The acquisitions were treated as asset acquisitions as the companies do not define as business per IFRS 3 for which no goodwill was recognized.

During the reporting period, the Group sold five investment properties, which were located in Germany, in the amount of EUR 43.7 million, resulting in a gain of EUR 0.6 million.

For disposals of assets classified as held-for-sale, refer to **Note 10**.



► NOTE 8 – INVESTMENT PROPERTY

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

	Germany ¹				UK	Totals
	Office	Hotels	Other	Subtotal	Hotels	
EUR thousands						
Balance as at 1 January 2020 (incl. held for sale assets)	1,931,404	153,023	133,984	2,218,411	1,787,234	4,005,644
Acquisitions of investment property and investment in capex during the year, net	70,136	4,308	7,336	81,780	354,069	435,849²
Fair value adjustments	50,966	(12,298)	(5,344)	33,324	(133,540)	(100,216)
Foreign currency revaluation effect	-	-	-	-	(114,065)	(114,065)
Disposal of subsidiaries	-	-	(42,991)	(42,991)	-	(42,991)
Other adjustments	18,901	1,926	353	21,180	(703)	20,476
Total	2,071,407	146,959	93,338	2,311,704	1,892,993	4,204,697
Less: classified as held for sale (Note 10)	(963,050)	-	(37,452)	(1,000,502)	-	(1,000,502)
At 31 December 2020	1,108,357	146,959	55,886	1,311,202	1,892,993	3,204,195

¹ The investment property table for Germany contains one property in another EU jurisdiction.

² During the reporting year, an amount of EUR 61.2 million was invested in capital expenditures.

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

¹ The investment property table for Germany contains one property in another EU jurisdiction.

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 28.2) 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 2020.

Key parameters used in the valuation

As at 31 December 2020, 95% of investment properties have been valued using the discounted cash flow (DCF) method with the remaining 5% using the residual value approach. The key assumptions and parameters used to determine the fair value of the investment properties under the DCF method are further discussed below:

Valuation technique	Significant unobservable inputs	2020 Weighted Average	2019 Weighted Average
UK hotel properties			
DCF Method	Discount rate	7.75%	7,67%
	Terminal cap rate	6.13%	6,07%
German commercial portfolio			
DCF Method	Value per square meter	EUR 3,776	EUR 3,558
	Market rent per square meter	EUR 16.58	EUR 16.77
	Discount rate	3.97%	3.97%
	Terminal cap rate	4.28%	4.35%

Table includes held-for-sale assets.

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. 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 2020		Change in value 2019	
		EUR thousands	%	EUR thousands	%
UK hotel properties					
Discount rate	-0.25%	31,300	1.91%	27,100	1.86%
Capitalization rate	-0.25%	42,700	2.60%	38,300	2.62%
German commercial portfolio					
Discount rate	-0.25%	25,301	2.13%	24,828	2.12%
Capitalization rate	-0.25%	49,845	4.19%	48,899	4.18%

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.

Material valuation uncertainties considering COVID-19

As at 31 December 2020, the pandemic and the measures taken to mitigate COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at and before the valuation date, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where enough market information is available upon which to base opinions of value. Accordingly, and for avoidance of doubt, as at 31 December 2020, part of the Group's valuations included a material valuation uncertainty clause, as defined by the RICS Valuation Global Standards, due to market disruption caused by the COVID-19 pandemic. This clause does not invalidate the valuation, however, implies that the uncertainty is significantly greater than under normal market conditions. Therefore, the valuer could not give as much weight as usual to past market evidence for comparison purposes, and there is an increased risk that the price realized in an actual transaction may differ from the value conclusion.

C. Uncompleted transactions

The Group has engaged with third parties to obtain the exclusive right to due diligence potential portfolio acquisitions in off-market transactions, for which the company made refundable advance payments totaling to EUR 146 million. The down payments were made for the proposed purchase of multiple office properties mainly in Germany. The advances are refundable if the Company decides not to finalize the acquisitions.

► NOTE 9 – INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

The reconciliation of investments in equity-accounted investees is as follows:

	2020	2019
	EUR thousands	
As at 1 January	3,206	-
Share in profit (loss) from investment in equity-accounted investees	(1,261)	3,206
At 31 December	1,945	3,206

The balance as at 31 December 2020 reflects a 50% joint-venture investment in a hotel portfolio, where, in addition to its equity investment, the Group contributed loans in amount of EUR 14.8 million, excluding accrued interest of EUR 1.0 million (2019: EUR 10.5 million, excluding accrued interest of EUR 0.2 million).

► NOTE 10 – ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 31 December 2020 a subsidiary of the Group has engaged with a third party in a contract for the sale of a group of subsidiaries holding an asset complex in the center of Berlin through a share deal. The asset complex consists of 3 standing buildings that include a mix of mainly office space, retail and leisure areas (with a total of 62,503 sqm area), 538 parking spaces and building rights for additional 44,000 sqm. A non-refundable deposit has been funded by the buyer after balance sheet date, with the expected completion in 2021.

The Group expects to sell multiple additional 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 negotiations are ongoing. These properties are located in Germany.

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

	31 December 2020
	EUR thousands
Assets	
Investment property	1,000,502
Trade and other receivables	5,502
Cash and cash equivalents	3,295
Other assets	512
	1,009,811
Liabilities	
Loans and borrowings from related parties	10,123
Trade and other payables	12,230
Other long-term liabilities	880
Deferred tax liabilities	33,575
	56,808
Net assets of disposal groups held-for-sale	953,003

► NOTE 11 – TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
	EUR thousands	
Rent and service charge receivables	11,462	5,382
<i>Less: provisions for impairment</i>	(3,289)	(1,815)
	8,173	3,567
Receivables on related parties (Note 27)	18,903	14,963
Receivables in relation to completed transactions	14,739	17,848
Receivable on NCI shareholder	4,619	4,622
VAT refundable	3,076	7,142
Tax receivables	1,516	995
Other receivables	3,071	74
Total	54,098	49,212

Rent and service charge receivables are non-interest bearing and are typically due within 30 days. Refer to **Note 28 Financial Instruments** for further detail on credit risk.

► NOTE 12 – TOTAL EQUITY

A. Equity attributable to the owners of the Company

Share capital and share premium

As at 31 December 2020 the issued and fully paid share capital of the Company consists of 12,002 ordinary shares of EUR 1 each (2019: 12,002) with a nominal value of EUR 12,002 (2019: 12,002).

The movement of the share premium reserve is as follows:

Share premium reserve	2020	2019
	EUR thousands	
As at 1 January	53,030	53,030
Contributions	101,000	-
At 31 December	154,030	53,030

During the reporting period, the Company's shareholder converted part of its shareholder loans into an equity contribution. Refer to **Note 16**.

B. Non-controlling interests

As at 31 December 2020 the non-controlling interests amounted to EUR 500.4 million (2019: EUR 393.0 million). The profit for the year attributed to the non-controlling interests amounted to EUR 15.9 million (2019: EUR 211.1 million).

The non-controlling interest comprises of third-party investors mainly holding a 48.5% in the Company's subsidiary Golden Capital Partners S.A. During the reporting period these investors contributed an equity amount of EUR 97.9 million and provided shareholder loans of EUR 177.4 million (refer to Note 15).

► NOTE 13 – LOANS AND BORROWINGS

	Weighted average interest rate loans	Maturity	31 December 2020	31 December 2019
EUR thousands				
EUR Loans from credit institutions (1,3)	1.81%	2024– 2027	374,228	244,870
GBP Loans from credit institutions (2,3)	3M Libor + 3.19%	2023	404,958	518,516
Total non-current interest bearing loans and borrowings			779,186	763,386
Loans classified as held for sale			-	8,399
Current maturities of loans and borrowings			13,495	10,166
Total			792,681	781,951

- (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 2020, the Group is fully compliant with all covenant requirements on all EUR denominated loans.
- (2) The Group obtained a covenant waiver for certain loan facilities in the UK from the Lenders, the waiver being subject to certain conditions imposed to protect the Issuer's position. The closure of hotels during the lockdown in the UK has impacted the operational metrics used for covenant testing purposes but has not impacted rental income due to the Group, which continued to be paid. The waiver was granted in connection with COVID-19 and the resulting temporary closure of certain of the hotels, to enable the Group to manage its business without breaching any obligations under the loan agreement. The covenant waiver is for a period up to but excluding the interest payment date falling on 13 July 2021. The Group deposited GBP 28 million into a bank account controlled by the lender, which will be released to the Group following two consecutive quarters of financial covenant compliance after the end of the covenant waiver period. Subsequent to the balance sheet date an extension for the waiver was granted. For further info see **Note 29**.
- (3) To secure bank loans and borrowings the Group pledged properties whose total fair value at the Report Date amounts to EUR 1,843.5 million (2019: EUR 1,654.9 million).

► NOTE 14 – SENIOR UNSECURED BONDS

The below overview summarizes the outstanding Senior Unsecured Bonds per the reporting date:

Senior Unsecured Bonds	Currency	Nominal amount (in thousands)	Coupon rate (p.a., %)	Issue price (%)	Issuance-maturity	31 December 2020	31 December 2019
Bond I	EUR	700,000	3.00%	100.0	08/2019 - 08/2024	687,226	683,678
Bond II	EUR	300,000	3.50%	98.7	10/2019 - 10/2025	292,868	291,589
Convertible Bond (Private placement)	EUR	200,000	2.25%	100.0	08/2020 - 08/2025	168,706	-
Total Senior Unsecured Bonds						1,148,800	975,267
Total accrued interest on Senior Unsecured Bonds						11,876	10,167

On 13 August 2020, the Group issued in a private placement senior unsecured convertible bonds in an amount of EUR 200 million due August 2025 carrying a coupon of 2.25%. The convertible bonds include certain features as follows:

- Conversion feature of the convertible bonds in case of an Initial Public Offering ('IPO') of the Company;
- Certain redemption options by the Company;
- Additional interest to be paid by the Company if an IPO does not take place before the end of the contractual term of the convertible bonds (5 years).

As at 31 December 2020 the embedded derivative component of these convertible bonds features have been valued at EUR 31.0 million, which is presented as part of the Derivative Financial Liabilities.



► NOTE 15 – LOANS WITH 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 2020	31 December 2019
	EUR thousands	
Vivion Holdings S.à r.l. - EUR [1, 5]	240,081	282,960
Vivion Holdings S.à r.l. - GBP [2, 5]	455,228	497,002
Accrued interest on related party loans [1, 2, 6]	124,296	75,155
Other related party loans [5]	8,809	622
Related party loans	828,414	855,739
Loans from non-controlling interests - Golden [3, 4, 5]	502,135	306,530
Other loans from non-controlling interests [5]	-	4,722
Total	1,330,549	1,166,991

- (1) The loans bear an annual interest rate of 5.15% to 5.25% which is compounded to the loan principal on an annual basis, payable in the 10th anniversary year (2028 and 2030). 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.
- (2) The loans bear 5.50% annual interest rate, payable in the 10th anniversary year (2028, 2029 and 2030). 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.
- (3) 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 459.4 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, 2029 and 2030). 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.
- (4) Any prepayment or conversion of the Investors' Loans may be executed only on a pro rata basis according to each shareholder stake in Golden.
- (5) Loans from shareholders and non-controlling interests are unsecured and subordinated to the other Group debt to third parties.
- (6) Represents the amount of accrued interest since inception of the related party loan agreements.

► NOTE 16 – RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

The tables below detail the reconciliation of the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows, or future cash flows, will be classified in the Group's consolidated statement of cash flows from financing activities.

	1 January 2020	Acqui- sitions (disposal) of subsi- diaries, net	Additions	Repay- ments	Debt issuance costs	Amor- tization of debt issuance costs	Non-cash changes	Foreign exchange effect	31 December 2020
EUR thousands									
Loans and borrowings	781,951	(8,399)	140,388	(95,084)	(901)	1,879	-	(27,153)	792,681
Bonds	975,267	-	-	-	(114)	4,335	606	-	980,094
Convertible Bond	-	-	200,000	-	(2,844)	208	28,658	-	168,706

- The non-cash movement on the convertible bond relates to the separation of the embedded derivative component from the carrying value of the bond.

	1 January 2019	Acqui- sitions (disposal) of subsi- diaries, net	Additions	Repay- ments	Debt issuance costs	Amor- tization of debt issuance costs	Non-cash changes	Foreign exchange effect	31 December 2019
EUR thousands									
Loans and borrowings	894,509	60,183	518,819	(716,295)	(4,842)	9,017	-	20,559	781,951
Bonds	-	-	996,037	-	(22,458)	1,688	-	-	975,267



► NOTE 17 – TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
	EUR thousands	
Trade payables	21,961	21,720
Payables to related parties (Note 27)	18,183	-
VAT payables	5,100	-
Other accrued expenses	3,777	9,245
Total	49,021	30,965

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

► NOTE 18 – OTHER SHORT-TERM LIABILITIES

	31 December 2020	31 December 2019
	EUR thousands	
Accrued interest on loans, borrowings and bonds	14,547	15,263
Deferred income	14,956	13,852
Other	204	826
Total	29,707	29,941

► NOTE 19 – 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.

The Group's short-term construction commitments in the ordinary course of business amounts to EUR 42.3 million as of the Report Date. The commitments pertain to one of the subsidiaries being sold as mentioned in note 10, therefore no material cash outflows are expected due to these commitments.

► NOTE 20 – REVENUES

	31 December 2020	31 December 2019
	EUR thousands	
Rental income	163,611	98,759
Revenues from contracts with customers	23,561	178,611
	187,172	277,370

For further information regarding reportable segments, see Note 26 - Operating Segments.



► NOTE 21 – SERVICE CHARGE, OTHER PROPERTY OPERATING EXPENSES AND COST OF SALES

A. Leased investment property

	31 December 2020	31 December 2019
	EUR thousands	
Service charge expenses	17,461	14,614
Property operations and maintenance	2,066	2,208
Others	1,541	3,172
Subtotal	21,068	19,994

B. Hotel operations

	31 December 2020	31 December 2019
	EUR thousands	
Salaries and related expenses	4,080	35,802
Cost of inventories	2,297	21,646
Other hotel operation expenses	984	10,556
Real estate taxes and insurance	1,060	10,307
Subtotal	8,421	78,311
Total operating expenses	29,489	98,307

Presented in:

Cost of hotel operations	6,377	60,069
Other property operating expenses	5,652	23,624
Service charge expenses	17,460	14,614
	29,489	98,307

During the reporting period, the hotel operations in the UK received GBP 3.1 million (EUR 3.6 million) in grants from the UK Government through the Coronavirus Job Retention Scheme to cover the expenses for employees on temporary leave due to the coronavirus. The grants received are included in the Salaries and Related Expenses.



► NOTE 22 – SELLING EXPENSES

	31 December 2020	31 December 2019
	EUR thousands	
Sales, marketing and brand fees	595	10,923
Travel agents commissions	-	9,164
Salaries and related expenses	503	2,661
Other selling expenses	41	761
Total selling expenses	1,139	23,509

► NOTE 23 – ADMINISTRATIVE EXPENSES

	31 December 2020	31 December 2019
	EUR thousands	
Legal and professional fees	9,115	11,982
Salaries and related expenses	1,309	9,692
Acquisition costs (Note 7A)	6,984	7,684
Audit fees	1,410	1,144
Asset management fees	1,599	1,020
Impairment on rent and other receivables	2,533	-
Other general and administrative expenses	6,469	4,970
Total administrative expenses	29,419	36,492



► NOTE 24 – FINANCE EXPENSES

	31 December 2020	31 December 2019
	EUR thousands	
Interest expense on bank loans	22,778	40,885
Interest expense on bonds	33,815	10,167
Interest expense on related party loans	49,738	45,054
Interest expense on loans from NCI	23,622	14,160
<i>Less: borrowing costs capitalized</i>	(16,310)	(3,579)
Total interest expense	113,643	106,687
Interest income on third parties	(859)	(1,421)
Total net interest expense	112,784	105,265
Credit card charges	-	3,169
Lease financing expenses per IFRS 16	4,276	5,402
Amortization of finance fees	6,423	10,606
Discount amortization convertible bond	2,312	-
Cash flow hedge result	531	3,491
Other	3,049	5,152
Other finance expense	16,591	27,820
Total net finance expenses	129,375	133,085

► NOTE 25 – 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 2020 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 2020, 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 applicable in 2020 for Luxembourgish companies is 24.94%.

(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 de-

fence 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 2020	31 December 2019
	EUR thousands	
Current tax expense		
Current year	12,153	13,927
Adjustments for prior years, net	(354)	3,013
	11,798	16,940
Deferred tax expense / (income)		
Origination and reversal of temporary differences	(12,006)	78,829
Income tax expense / (income)	(208)	95,769

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

	31 December 2020	31 December 2019
	EUR thousands	
Accounting profit (loss) before income tax	(74,923)	585,078
At Luxembourg statutory tax rate of 24.94%	(18,686)	145,919
Income not taxable for tax purposes	(5,129)	(19,018)
Non-deductible expenses	5,020	10,143
Effect of tax rates in foreign jurisdictions	(43)	(52,381)
Deferred tax assets not recognized for tax losses and other timing differences	11,544	3,083
Effect of changes in enacted tax rates	14,650	-
Adjustments for prior years	(7,741)	3,013
Other differences, net	177	5,011
Income tax reported in the statement of profit or loss	(208)	95,769

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

	31 December 2020	31 December 2019
	EUR thousands	
Deferred tax liabilities	174,170	193,927
Investment property liabilities held for sale	33,575	9,520
Total deferred income tax liability	207,745	203,447

The deferred tax liability arises from the following components:

	31 December 2020	31 December 2019
	EUR thousands	
Per beginning period	203,447	113,508
Revaluations of investment property to fair value	(17,890)	80,831
Acquired through business combination	23,509	22,470
Derecognition due to disposal of subsidiary	(9,520)	(15,670)
Impact due to changes in enacted tax rates	14,650	-
Foreign exchange differences	(7,152)	5,738
Other	702	(3,430)
Total	207,745	203,447

Deferred tax assets have not been recognized in the amount of EUR 11.5 million (2019: EUR 3.1).

► NOTE 26 – 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 (85% 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 5 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 EUR thousands	Total Consolidated
Year ended 31 December 2020			
Revenues	119,766	67,406	187,172
Operating expenses	(7,437)	(22,052)	(29,489)
Reportable segment gross profit	112,329	45,354	157,683
Selling and administrative expenses	(14,490)	(16,068)	(30,558)
Changes in fair value of investment property	(133,540)	33,324	(100,216)
Reportable segment operating profit	(35,701)	62,610	26,909
Bargain purchase gain			28,164
Profit on disposal			641
Share in result from equity-accounted investee			(1,261)
Net finance expenses			(129,375)
Profit (loss) before tax	(35,701)	62,610	(74,923)

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

► NOTE 27 – 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 Group's investment in significant subsidiaries are listed in the following table:

			31 December	
			2020	2019
Subsidiary	Country of incorporation	Principal activities	% equity interest	
Subsidiaries held directly and indirectly by the Company				
Lux Investment Company 210 S.à r.l.	Luxembourg	Financing	100.0%	100.0%
Ribbon HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
UK Investment Company 211 Mezz HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
Zinc Hotels HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
Vivion Capital Partners S.A.	Luxembourg	Financing	100.0%	100.0%
Golden Capital Partners S.A.	Luxembourg	Holdings	51.5%	51.5%

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

	31 December 2020	31 December 2019
	EUR thousands	
Receivables from related parties	18,903	14,963
Loans to equity-accounted investee	15,755	10,684
	34,659	25,647
Payables to related parties	18,183	-
Loans from related parties	828,414	855,739
	846,597	855,739
Net payable to related parties	811,938	830,092

	31 December 2020	31 December 2019
	EUR thousands	
Consolidated statement of profit or loss		
Rental and service charges income	88,143	36,952
Interest income on loans to related parties	2,464	2,208
Services and management fee charges	(3,508)	(2,415)
Interest on loans from related parties	(52,196)	(43,248)
Net income (expense) relating to related party transaction	34,903	(6,503)

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 property and 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 in the UK in Q3 of 2019, rental agreements in an aggregate amount of GBP 77.3M 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.

► NOTE 28 – 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.

28.1 Composition of financial instruments

Below is an overview of the financial assets and liabilities, held by the Group as at 31 December 2020 and 31 December 2019:

Financial assets

	31 December 2020	31 December 2019
	EUR thousands	
Financial assets at amortized cost		
Trade and other receivables	54,098	49,212
Loans to equity-accounted investees	15,755	10,684
Cash and cash equivalents	257,508	128,473
Restricted bank and other deposits	50,694	21,707
Other financial assets	15,135	18,982
Financial assets at fair value through profit or loss		
Origination and reversal of temporary differences	7	555
Total	393,196	229,613

Financial liabilities

	31 December 2020	31 December 2019
	EUR thousands	
Financial liabilities at amortized cost		
Trade and other payables	49,021	30,965
Other short-term liabilities	29,707	29,941
Loans and borrowings	792,681	773,552
Bonds	980,094	975,267
Convertible bond	168,706	-
Loans from related parties	828,414	855,739
Loans from non-controlling interests	502,135	311,252
Tenant deposits	1,908	2,679
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	31,569	230
Total	3,384,234	2,979,625



28.2 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 as 31 December 2020 and 31 December 2019 under the relevant fair value hierarchy. Also presented are the financial liabilities that are not measured at fair value and for which their carrying amount significantly differs from the fair value:

	31 December 2020					31 December 2019				
	Fair value measurement using									
	EUR thousands									
	Carrying amount	Total fair value	Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Carrying amount	Total fair value	Quoted prices in active market (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets										
Financial assets at fair value through profit and loss	15,135	15,135	-	-	15,135	18,982	18,982	-	-	18,982
Derivatives financial instruments	7	7	-	7	-	555	555	-	555	-
Total	15,142	15,142	-	7	15,135	19,537	19,537	-	555	18,982
Financial liabilities										
Derivatives financial liabilities	31.569	31.569	-	597	30,972	230	230	-	230	-
Senior unsecured bonds	980.094	927.741	927,741	-	-	975,267	1,020,366	1,020,366	-	-
Total	1,011,663	959.310	927,741	597	30,972	975,497	1,020,596	1,020,596	230	-

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable data and rely as little as possible on entity-specific estimates. If all significant input required to fair value of financial instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between Level 1, Level 2 and Level 3 during 2020 and 2019.

The following methods and assumptions were used to estimate the fair values:

- The fair value of the senior unsecured bonds are based on price quotations at the reporting date.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of the counterparties, interest rate curves and forward rate curves.

28.3 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.

28.3.1 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 2020	31 December 2019
	EUR thousands	
Impairment loss on receivables arising from contract with customers	3,289	1,816

The Group did not recognize any impairment losses on its other financial assets as it was considered not material.

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:

Exposure to credit risk	31 December 2020	31 December 2019
	EUR thousands	
Euro-zone countries	32,453	30,867
United Kingdom	21,645	18,345
Total	54,098	49,212

2. Assessment of expected credit losses

As at 31 December 2020, the breakdown of rent receivables is set out below:

	Gross carrying amount	Provision for impairment	Credit impaired financial asset
	EUR thousands		
Not past due	-	-	-
Past due 0-30 days	1,814	-	1,814
Past due 31-120 days	3,057	493	2,564
Past due 120 days to one year	3,725	1,358	2,367
Past due more than one year	2,866	1,438	1,427
Total	11,462	3,289	8,173

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

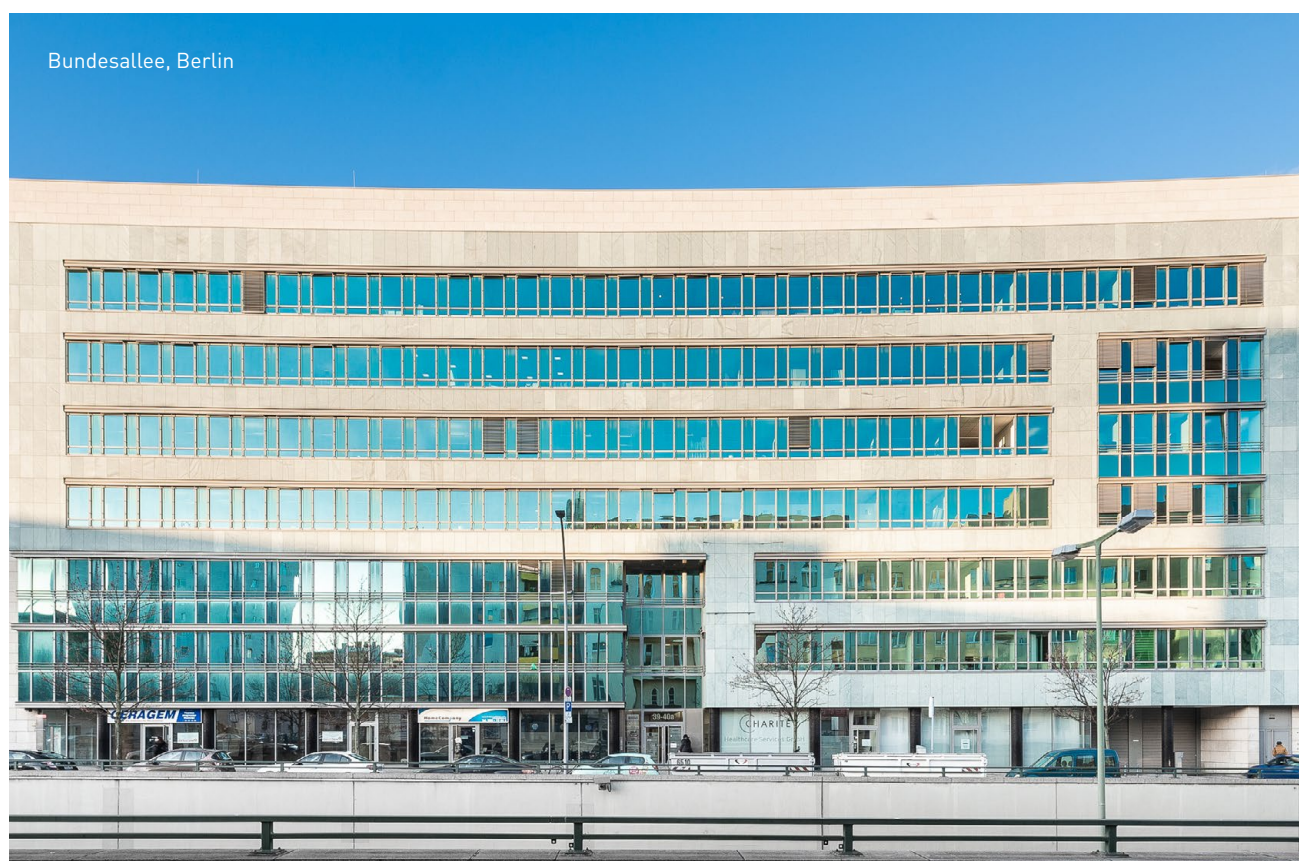
	Gross carrying amount	Provision for impairment	Credit impaired financial asset
	EUR thousands		
Not past due	38	-	38
Past due 0-30 days	1,098	-	1,098
Past due 31-120 days	498	-	498
Past due 120 days to one year	2,622	690	1,932
Past due more than one year	1,126	1,126	-
Total	5,382	1,816	3,566

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

28.3.2 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.



	Contractual cash flows including interest					
	2020 Carrying amount	Total	2021	2022	2023	> 2024
	EUR thousands					
Loans and borrowings	792,681	863,839	37,156	37,267	36,887	752,528
Bonds	980,094	1,138,250	31,500	31,500	31,500	1,043,750
Convertible bond	168,706	221,000	4,500	4,500	4,500	207,500
Tenant deposits	1,908	1,956	692	70	119	1,075
Trade and other payables	49,173	49,173	49,173	-	-	-
Subtotal	1,992,562	2,274,218	123,022	73,337	73,006	2,004,853
Loans from related parties	828,414	1,247,456	-	-	-	1,247,456
Loans from non-controlling interests	502,135	766,792	-	-	-	766,792
Total	3,323,111	4,288,467	123,022	73,337	73,006	4,019,102

	Contractual cash flows including interest					
	2019 Carrying amount	Total	2020	2021	2022	> 2023
	EUR thousands					
Loans and borrowings	773,551	881,943	44,169	44,500	44,805	748,469
Bonds	975,267	1,168,000	31,500	31,500	31,500	1,073,500
Tenant deposits	2,679	2,784	514	107	127	2,037
Trade and other payables	30,965	30,965	30,965	-	-	-
Subtotal	1,782,462	2,083,693	107,148	76,107	76,432	1,824,006
Loans from related parties	855,739	1,381,039	-	-	(5,119)	1,375,920
Loans from non-controlling interests	311,252	456,408	-	-	6,260	450,148
Total	2,949,453	3,921,140	107,148	76,107	87,811	3,650,074

As disclosed in **Note 13** 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.

28.3.3. Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's variable-rate long-term debt instruments. The Group manages its interest rate risk by hedging long-term debt with floating rate using swap and cap contracts.

As at 31 December 2020, after taking into account the effect of hedging, the interest profile of the Group's long-term debt (loans & borrowings and bonds) was as follows:

	31 December 2020	31 December 2019
	EUR thousands	
Fixed rate	1,640,889	1,548,905
Capped rate	332,370	199,914
Total	1,973,259	1,748,819

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:

	31 December 2020		31 December 2019	
	EUR thousands			
	+ 15 bps	- 15 bps	+ 15 bps	- 15 bps
3M Libor	615	(615)	790	(790)
3M Euribor	152	(152)	39	(39)

All 3M Euribor loans have interest rate caps or swaps to hedge the Euribor interest exposure. The GBP Libor loans have two interest rate caps, to hedge the interest risk of the GBP Libor interest rate up to 2%. Derivatives are not accounted for through hedge accounting.

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.

28.3.4. 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 perspec-

tive. 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.

28.3.5. 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. The Company is committed to optimizing its capital structure in order to reduce the overall cost of capital, balance the Company's cash flow profile and maximize operational flexibility. In order to achieve this, the Company 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.

28.3.6. 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.

Brexit effect

On 23 June 2016, voters in the UK voted in a referendum in favor of the UK leaving the European Union (EU), a decision known as "Brexit". On 31 January 2020, the UK officially withdrew from the EU and this marked the beginning of a transition period which ended on 31 December 2020. Thereafter, a provisional Trade and Cooperation Agreement (TCA) between the EU and the UK came into effect, which provides for tariff-free trade in goods (subject to "rules of origin" requirements) and some facilitation of cross-border services, as well as for cooperation mechanisms in a range of policy areas. On the other hand, certain measures ended as they were not incorporated into the TCA such as free movement of persons between the UK and the EU, the UK's membership in the European Single Market and Customs Union and the UK's participation in most of the EU programs.

The final consequences of Brexit are not yet clear and impossible to predict. Any negative impact may be exacerbated by the economic impacts of the COVID-19 pandemic. Member states of the EU will face greater barriers to trade with the UK, which may in turn negatively impact the economic activity between the EU and the UK.

The Group's real estate portfolio in the UK consists solely of hotel properties. The Group believes that this hotel portfolio is well-diversified, attracting both international and domestic business and leisure travelers. However, the demand for hotel rooms in the UK may be negatively affected by an overall economic downturn in the UK and, consequently, reduced business and leisure travel to and within the UK. This may negatively impact the profitability of hotel operators, which are the tenants of the Group's hotel properties.

Moreover, Brexit may have a material currency effect through devaluation of the GBP against the Euro. Although the Group has effectively hedged a portion of its exposure by issuing GBP debt against its GBP assets, this devaluation may have an impact on the Group's net assets.

Coronavirus (COVID-19) effect

The year 2020 was marked by the outbreak of the coronavirus (COVID-19) pandemic, which affected the global economy and everyone's daily life. The pandemic also affected the Group's operations in many ways including government-mandated lockdowns of the Company owned office buildings and hotels. The measures taken against the spread of the virus causing COVID-19, such as these lockdowns and travel restrictions, have led to a partial or total loss of revenues for some of our Group's tenants, in particular hotel tenants who have faced considerable downturn in bookings.

Looking ahead, the Group continues to see uncertainty and volatility related to the impact of COVID-19 across the world, driven by, amongst others, the effectiveness of vaccination programs, mutations of the COVID-19 virus and potentially new viruses which may cause new pandemics. The Group expects that COVID-19 may continue to impact our tenant base, both our office and retail tenants in Germany as well as our hotel operators in the UK. This could lead to a loss of rental payments or in deferred or reduced payments due to a lack of tenants' liquidity, operational failure, bankruptcy or for other reasons. The Group observed a devaluation in our hotel portfolio during 2020, which was partly offset by positive results in other properties. The long-term effect of the pandemic on the value of the Group's investment property remains uncertain. Against this background, the COVID-19 related risk factors may continue to prevail for an unforeseeable period and the ultimate impact of the pandemic on the economy and the Group's operations remain uncertain.

However, the Group believes to be in a strong position to withstand the rest of the pandemic, due to its high liquidity, financial strength and flexibility and robust debt structure.

► NOTE 29 – SUBSEQUENT EVENTS

A. On 31 December 2020 a subsidiary of the Group entered into a sale and lease back agreement for one of its hotels' freehold rights in London. The underlying lease is for 200 years with a buy back option in the end of the lease for 1 pound and a lease payment of GBP 1.2 million per annum. The transaction was completed on 2 February 2021. Total net proceeds from the transaction amount to GBP 52 million.

B. On 10 April 2021 the Group obtained an extension for the covenant waiver for one of its bank loans in the UK. The closure of hotels during the lockdown in the UK has impacted the operational metrics used for covenant testing purposes but has not impacted rental income due to the Group, which continued to be paid. The extension is for a period up to but excluding the interest payment date falling on 13 July 2022.

On 13 April 2021 the Group made a GBP 58 million repayment of its bank loan in UK.

C. The Group completed the sale of various properties based in Germany, classified as held-for-sale as at 31 December 2020, for total proceeds of EUR 39 million, which represents a 21% above book value.

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