BGP HOLDINGS PLC

Annual Report and Consolidated Financial Statements
31 December 2017

Company Registration Number: C-36451

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Directors' report

The directors present their report and the audited consolidated and separate financial statements for the year ended 31 December 2017.

Principal activities

The principal activities of BGP Holdings plc (the 'Company'), which are substantially unchanged since last year, are those that pertain to an investment holding company. The underlying activities of the Group have ceased in the light of the sale of the entire investment portfolio in 2016.

Review of the business

Following the sale of the real estate portfolio to investors advised by Morgan Stanley in November 2016 net proceeds were distributed to the Company's shareholders via a dividend payment of EUR 407 million in January 2017 and a share premium reduction of EUR 136 million in October 2017.

Under the terms of the sale some EUR 20 million was left in two escrow accounts, EUR 10 million as a reserve for the outcome of the Closing Date accounts, and EUR 10 million as a reserve for claims under Warranty and Indemnity insurance taken out as an adjunct to the sale. In March 2018, after protracted negotiations, some EUR 13.85 million was paid to the Company in relation the Closing Date account settlement, EUR 3.85 million above the escrow amount and the first EUR 10 million escrow monies were released in full. The amount of the second escrow will not be determined until November 2018.

The Group is curtailing its operations and the now redundant corporate structure has been extensively reduced. Eleven German partnerships were dissolved in 2017, and five Luxembourg, one Dutch and two Danish companies were put into voluntary liquidation. The remaining structure will be curtailed as soon as possible legacy claims on past asset sales expire. Although the operations of the group have been curtailed, the process is not expected to be finalised within the next twelve months.

Financial position

The fall in Group NAV largely reflects the EUR 136 million share premium reduction paid in October. This amounted to AUD 0.02060274 per share.

(Update Group Equity NAV table)

	31 December 2017	31 December 2016
Equity Group share	25,598,600	172,229,370
Exclusion of deferred tax liabilities	-	-
Exclusion of derivative instruments	-	-
Group NAV	**25,598,600**	**172,229,370**

Directors' report (continued)

Group financing

In the light of the sale of the real estate portfolio, the BGP Group has repaid its external debt and no longer owns any real assets. The Group's consolidated balance sheet now consists largely of cash, which will be distributed to shareholders after leaving a conservative provision for wind-down costs and a reserve for possible liabilities under the sale contracts signed in recent years.

	31 December 2017	31 December 2016
Investment property	-	-
Equity accounted investments	-	-
Assets held for sale	703,913	3,317,763
GAV	**703,913**	**3,317,763**
Long term bank loans and CMBS	-	-
Short term bank loans and CMBS	-	-
Liabilities related to assets held for sale	204,668	7,102,158
Cash and cash equivalents	(12,769,852)	(565,396,745)
Net loans	**12,565,184**	**(558,294,587)**
Loan to value	**-**	**-**

Business Outlook

Having sold its real estate assets BGP's sole objective is to return the net proceeds of the sale to its shareholders as quickly as possible. The size of the final liquidation outcome depends on several post transaction elements. The true-up of the transaction accounts realised an addition EUR 3.85 million and the full release of the EUR 10 million escrow account. The release, if any, of funds in the second escrow account will be not be determined before November 2018. A Notice of Dispute relating to the 2016 sale was served on the company in March 2018 by the Sellers. No claim has been quantified at this stage. The Company has rejected the Notice of Dispute.

The Board

The Board met on three occasions during the year. It has closely supervised a complex distribution process. It has fulfilled and will continue to respect market standard corporate governance principles.

Personnel

In view of the sale of the operating businesses alongside the real estate portfolio the BGP Group no longer has any employees.

Results and dividends

In October 2017 BGP Holdings PLC approved a share premium reduction of EUR 136 million, the proceeds of which were paid to shareholders in October 2017 (AUD 201.84 million).

Directors' report (continued)

Directors

The directors of the company who held office during the year were:

Mr. Roderick Hamilton McGeoch – Chairman
Mr. Francis J. Vassallo
Dr. Ruth Agius Scicluna Buttigieg
Mr. Mark Dunstan

The company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities

The Directors are responsible to prepare consolidated and separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Group and the Company at the end of each financial year and of the profit or loss of the Group and Company for the year then ended. In preparing the consolidated and separate financial statements, the directors should:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern;
- Account for income and charges relating to the accounting period on the accruals basis;
- Value separately the components of asset and liability items; and
- Report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and Company. This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Auditors

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board of Directors,

Mark Dunstan
Director

Mr. Francis J. Vassallo
Director

Registered office
B2, Industry Street,
Qormi, QRM 3000
Malta

3 October 2018

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BGP HOLDINGS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BGP Holdings Plc ('the Company') and of the Group of which the Company is the parent ('the Group'), set on pages 9 to 51, which comprise the consolidated and parent company statement of financial position as at 31 December 2017, and the consolidated and parent company statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated and parent company financial statements and our auditor's report thereon.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of consolidated and parent company 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 and parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BGP HOLDINGS PLC

Report on the audit of the financial statements - continued

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated and parent company 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 and Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BGP HOLDINGS PLC

Report on other legal and regulatory requirements

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

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

The partner in charge of the audit resulting in this independent auditor's report is Shawn Falzon for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

3 October 2018

Statements of financial position as at 31 December

	Notes	2017 Group	2016 Group	2017 Company	2016 Company
ASSETS		EUR	EUR	EUR	EUR
Non-current assets					
Real estate portfolio					
Investments in subsidiaries	4	-	-	19,121,051	164,432,886
Investment properties	7.1	-	-	-	-
Property, plant and equipment		-	-	-	-
Investment in associates	7.2	-	-	-	-
Total		-	-	19,121,051	164,432,886
Total non-current assets		-	-	19,121,051	164,432,886
Current assets					
Tenants receivables	7.4	25,245	14,485	-	-
Receivables from related parties	14	-	30,000	3,979,226	409,066,528
Prepayments and other assets	7.6	18,176,662	24,276,595	4,088,047	4,113,728
Cash and cash equivalents	7.5	12,769,852	565,396,745	19,622	295,436
Total current assets		30,971,759	589,717,825	8,086,895	413,475,692
Assets included in disposal groups classified as held for sale	7.3	703,913	3,317,763	-	-
TOTAL ASSETS		31,675,672	593,035,588	27,207,946	577,908,578

The consolidated financial statements on pages 9 to 51 were authorised for issue by the board on 3 October 2018 and were signed on its behalf by:

Mark Dunstan
Director

Mr. Francis J. Vassallo
Director

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Statements of financial position as at 31 December (continued)

	Notes	2017 Group	2016 Group	2017 Company	2016 Company
EQUITY		EUR	EUR	EUR	EUR
Capital and reserves attributable to the owners of the Company					
Share capital	8.1	**99,999**	99,999	**99,999**	99,999
Share premium	8.2	**30,606,786**	166,606,786	**30,606,786**	166,606,786
Translation reserve		-	-	-	-
Retained earnings		**(5,108,185)**	5,522,585	**(9,842,321)**	3,160,788
Total equity attributable to the owners of the Company		**25,598,600**	172,229,370	**20,864,464**	169,867,573
Non-controlling interests		-	-	-	-
Total Equity		**25,598,600**	172,229,370	**20,864,464**	169,867,573
LIABILITIES					
Non-current liabilities					
Loans from related parties	14	-	-	**5,209,145**	55,000
Total non-current liabilities		-	-	**5,209,145**	55,000
Current liabilities					
Payables to related parties	14	**500**	407,000,500	**1,016,415**	407,949,685
Accrued interest payable to related parties	14	-	-	-	5,189
Accounts payable and accrued expenses	8.3	**623,234**	1,935,768	**35,273**	31,131
Income taxes payable		**5,248,670**	4,767,792	**82,649**	-
Total current liabilities		**5,872,404**	413,704,060	**1,134,337**	407,986,005
Liabilities included in disposal groups classified as held for sale	7.3	**204,668**	7,102,158	-	-
Total Liabilities		**6,077,072**	420,806,218	**6,343,482**	408,041,005
TOTAL EQUITY AND LIABILITIES		**31,675,672**	593,035,588	**27,207,946**	577,908,578

The consolidated financial statements on pages 9 to 51 were authorised for issue by the board on 3 October 2018 and were signed on its behalf by:

Mark Dunstan
Director

Mr. Francis J. Vassallo
Director

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Statements of comprehensive income for the year ended 31 December

	Notes	2017 Group	2016 Group	2017 Company	2016 Company
		EUR	EUR	EUR	EUR
Revenue from investment properties	11.1	7,446	101,283,771	-	-
Management fees	11.1	-	182,934	-	-
Expenses related to investment properties	11.2	(2,577)	(51,685,384)	-	-
Profit related to investment properties		4,869	49,781,321	-	-
Corporate expenses	11.3	(8,983,373)	(35,887,766)	(3,844,201)	(871,005)
Other operating expenses	11.4	(10,230,076)	(4,168,632)	(9,311,835)	-
Dividend income		-	-	-	413,231,566
Other operating income		49,245	6,282,922	-	3,842,452
Net other expenses		(19,164,204)	(33,773,476)	(13,156,036)	416,203,013
Losses on sale of investment properties		-	-	-	-
Gains on sale of shares in subsidiaries		3,830,458	37,047,584	-	-
Gain on portfolio disposal		3,830,458	37,047,584	-	-
Net unrealised / realised gain on investment properties	11.5	-	24,267,302	-	-
Operating profit/(loss)		(15,328,877)	77,322,731	(13,156,036)	416,203,013
Finance income	11.6	1,172,496	138,192	285,096	153
Finance costs	11.6	(458,187)	(50,625,729)	(49,520)	(1,759)
Net gains on derivatives		-	2,216,014	-	-
Net finance (expenses)/income		714,309	(48,271,523)	(235,576)	(1,606)
Share of result from associates	7.2	-	(378,840)	-	-
Net profit/(loss) before tax		(14,614,568)	28,672,368	(12,920,460)	416,201,407
Current income tax	11.7	(241,469)	(7,739,686)	(82,649)	(4,485,061)
Deferred income tax	11.7	-	(25,689,356)	-	-
Net profit/(loss) from continuing activities		(14,856,037)	(4,756,674)	(13,003,109)	411,716,346
Profit/(Loss) after tax from discontinued activities	11.8	4,329,748	(3,850,664)	-	-
Net profit/(loss) for the year		(10,526,289)	(8,607,338)	(13,003,109)	411,716,346
Currency translation difference		(104,481)	-	-	-
Total comprehensive income/(loss) for the year, net of tax		(10,630,770)	(8,607,338)	(13,003,109)	411,716,346
Net profit/(losses) attributable to:		(10,630,770)	(8,607,338)	(13,003,109)	411,716,346
- Owners of the Company		(10,630,770)	(8,675,055)	(13,003,109)	411,716,346
- Non-controlling interests		-	67,717	-	-
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		-	-	-	-
- Owners of the Company		-	-	-	-
- Non-controlling interests		-	-	-	-
Total comprehensive income/(loss) attributable to:		(10,630,770)	(8,607,338)	-	-
- Owners of the Company		(10,630,770)	(8,675,055)	-	-
- Non-controlling interests		-	67,717	-	-

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Attributable to the Group's Owners						
	Share capital	Share Premium	Translation reserve	Retained earnings	Shareholders' Equity	Non-controlling interests	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2015	**99,999**	**166,606,786**	-	**421,197,640**	**587,904,425**	**285,632**	**588,190,057**
Net result for the year	-	-	-	(8,675,055)	(8,675,055)	67,717	(8,607,338)
Reversal of non-controlling interests due to disposal	-	-	-	-	-	(353,349)	(353,349)
Dividend declared	-	-	-	(407,000,000)	(407,000,000)	-	(407,000,000)
Total income and expense for the year	-	-	-	**(415,675,055)**	**(415,675,055)**	**(285,632)**	**(415,960,687)**
Balance as at 31 December 2016	**99,999**	**166,606,786**	-	**5,522,585**	**172,229,370**	-	**172,229,370**
Net result for the year	-	-	-	(10,630,770)	(10,630,770)	-	(10,630,770)
Share premium decrease	-	(136,000,000)	-	-	(136,000,000)	-	(136,000,000)
Total income and expense for the year	-	**(136,000,000)**	-	**(10,630,770)**	**(146,630,770)**	-	**(146,630,770)**
Balance as at 31 December 2017	**99,999**	**30,606,786**	-	**(5,108,185)**	**25,598,600**	-	**25,598,600**

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Statements of changes in equity (continued)

Company	Share Capital	Share Premium	Retained Earnings	Total Equity
	EUR	EUR	EUR	EUR
Balance as at 31 December 2015	99,999	166,606,786	(1,555,558)	165,151,227
Net result for the year	-	-	411,716,346	411,716,346
Dividend declared	-	-	(407,000,000)	(407,000,000)
Total income and expense for the year	-	-	4,716,346	4,716,346
Balance as at 31 December 2016	99,999	166,606,786	3,160,788	169,867,573
Net result for the year	-	-	(13,003,109)	(13,003,109)
Reduction in share premium	-	(136,000,000)	-	(136,000,000)
Total income and expense for the year	-	(136,000,000)	(13,003,109)	(149,003,109)
Balance as at 31 December 2017	99,999	30,606,786	(9,842,321)	20,864,464

The notes on pages 16 to 51 are an integral part of these financial statements.

Statements of cash flows

	Notes	2017 Group	2016 Group	2017 Company	2016 Company
		EUR	EUR	EUR	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Continuing activities		(14,614,568)	28,672,368	(12,920,460)	416,201,407
Discontinued activities		4,329,748	(3,850,664)	-	-
Profit/(Loss) before income tax		(10,284,820)	24,821,704	(12,920,460)	416,201,407
Adjustments for:					
Dividend income		-	-	-	(413,231,566)
Other income		-	-	-	(3,842,452)
Depreciation and impairments		10,000,000	-	9,311,835	-
Realised loss on disposal of investment properties		-	3,816,557	-	-
Realised gain on disposal of shares in subsidiaries		(3,830,458)	(37,047,584)	-	-
Fair value gains on investment properties	11.5 & 11.8	-	(23,437,500)	-	-
(Gain)/loss from fair value adjustment on derivative financial instruments		-	(2,216,014)	-	-
Finance costs	11.6 & 11.8	470,316	51,205,884	-	-
Finance income	11.5 & 11.8	(5,650,848)	(138,192)	-	-
Shares of result from associates	7.3	-	378,840	-	-
Changes in working capital:		(2,141,450)	(41,633,948)	(142,189)	626,395
Tax paid		490,300	(828,312)	-	(23)
Net cash generated from/(used in) operating activities		(10,946,960)	(25,078,565)	(3,750,814)	(246,239)
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditure on investment properties	7.1 & 11.8	-	(20,189,647)	-	-
Proceeds from associates	7.2	-	3,880,279	-	-
Proceeds from disposal of investment properties	7.3 & 7.4	-	65,932,744	(1,625,000)	-
Proceeds from sale of shares in subsidiaries	5.2	-	549,824,139	-	-
Interest received	11.6 & 11.8	1,172,496	138,192	-	-
Net cash generated from investing activities		1,172,496	599,585,707	(1,625,000)	-

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Statements of cash flows (continued)

	Notes	2017 Group EUR	2016 Group EUR	2017 Company EUR	2016 Company EUR
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of advances		**(1,237,804)**	(57,043,010)	-	-
Repayment to related parties		**(407,000,000)**	-	-	-
Reduction of share premium		**(136,000,000)**	-	-	-
Interest paid		**(470,316)**	(580,155)	-	-
Funding from related company				**5,100,000**	-
Net cash (used in) / generated from financing activities		**(544,708,120)**	(57,623,165)	**5,100,000**	-
Net increase/(decrease) in cash and cash equivalents		**(554,482,584)**	516,883,977	**(275,814)**	(246,239)
Cash and cash equivalents at beginning of the year	7.3 & 7.5	**567,826,800**	50,942,823	**295,436**	541,675
Cash and cash equivalents at the end of the year	7.3 & 7.5	**13,344,216**	567,826,800	**19,622**	295,436

For the purpose of the Statement of cash flows, cash and cash equivalents are broken down as follows;

	Note	2017 EUR	2016 EUR
Included in disposal groups classified as held for sale	7.3	574,364	2,430,055
Included continuing operations	7.5	12,769,852	565,396,745
Total		**13,344,216**	**567,826,800**

The notes on pages 16 to 51 are an integral part of these consolidated financial statements.

Note 1 - General information

BGP Holdings plc (the "Company") is a Maltese public limited liability company incorporated on 20 June 2005. The Company underwent a Group restructuring in August 2009. Further to the restructuring of BGP Investment S.à r.l., an investment joint venture between GPT Group and Babcock & Brown, investing in European real estate, the Company became the new parent company of the BGP Group (the "Group") on 12 August 2009. From 12 August 2009, the Company indirectly held interests in portfolios of European real estate held through BGP Holdings 2 Limited and BGP Holdings Europe S.à r.l. These interests were sold in 2016.

These consolidated financial statements have been approved for issue by the Board of Directors on 3 October 2018.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and the Maltese Companies Act, Cap 386 of the Laws of Malta. These consolidated financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The accounting policies have been consistently applied by the Group's entities.

Standards and amendments issued and effective in the current year but not relevant for the Group

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statements of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses.) This guidance does not have an impact on the Company's consolidated financial statements.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether the tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. This guidance does not have an impact on the Company's consolidated financial statements.

Standards issued but not yet effective:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 will not have any significant impact on the Group and Company and have adopted the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. These amendments do not have any impact on the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and is intended to improve financial reporting for leasing transactions. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its consolidated financial statements related to its lessor leases and other leases, if any.

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Company will apply amendments when they become effective. However, since the Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its consolidated financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The amendment is effective for annual periods beginning on or after 1 January 2018. The amendment addresses three main areas: (1) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, (2) The classification of a share-based payment transaction with net settlement features for withholding tax obligations, and (3) The accounting where a nofication to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. It is intended to eliminate diversity in practice related to classification and measurement. This guidance will not have an impact on the Company's consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendment is intended to eliminate diversity in practice and provides preparers with a consistent set of principles to apply for such transactions. The Company does not expect that this guidance will have an impact on its consolidated financial statements.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRIC 22 Foreign Currency Transactions and Advance Considerations

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.
The interpretation is effective for annual periods beginning on or after 1 January 2018 and entities may apply the amendments on a fully retrospective basis. Early application is permitted and must be disclosed.

IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Annual improvements cycle 2014 – 2016

These improvements include the below and will be effective from 1 January 2018:

IFRS 1 First time adoption of IFRS

IAS 28 Investments in Associates and Joint Ventures

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendment is effective for annual periods beginning on or after 1 January 2018 (or the applicable date as noted below.) It addresses concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

These amendments do not have any impact on the Company's consolidated financial statements.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Annual Improvements 2015-2017 Cycle

These improvements include the below and will be effective from 1 January 2019, with early application permitted:

IFRS 3 Business Combinations

The amendment clarified that previously held interests in a joint operation are remeasured when control of a business is obtained. This amendment will be applied prospectively.

IFRS 11 Joint Arrangements

The amendment clarified that a previously held interest in a joint operation is not remeasured until joint control of the business is obtained. This amendment will be applied prospectively.

IAS 12 Income Taxes

The amendment clarifies that all income tax consequences of dividend payments should be accounted for in the same way. This amendment will be applied prospectively.

IAS 23 Borrowing Costs

The amendment clarifies that any borrowing originally made to develop an asset when the asset is ready for its intended use or sale should be treated as part of borrowing costs. This amendment will be applied prospectively.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. 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, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement 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 on which the Group gains control until the date on which the Group ceases to control the subsidiary.

Note 2 - Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI ("Other Comprehensive Income"). If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Note 2 - Summary of significant accounting policies (continued)

2.3 Business combination and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates which is the functional currency. The consolidated financial statements are presented in EUR which is the parent's functional and the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Finance income" or "Finance costs".

Translation differences on investment properties, investments in associates and derivatives are recognised in profit or loss as part of the fair value gain or loss.

c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the statement of comprehensive income as part of the gain or loss on the sale.

Note 2 - Summary of significant accounting policies (continued)

2.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both and that is not occupied by the Group is classified as investment property.

Investment property is measured initially at its cost, including related acquisition costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by independent experts. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Investment property under construction is also valued at fair value as determined by independent real estate valuation experts, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method.

Changes in fair values are recognised in the consolidated statement of comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The cost of an item of property, plant and equipment comprises:
(a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
(b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.
(c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, if the Group has this obligation.

Depreciation is calculated on a straight-line basis over the whole useful life of the assets. The economic useful life is the period of time over which an asset is expected to be available for use by the Group.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Note 2 - Summary of significant accounting policies (continued)

2.7 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as "Share of profit of an associate" in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.8 Investments in subsidiaries

Company

Investments in subsidiaries are accounted for by the cost method of accounting.

Provisions are recorded where, in the opinion of the directors, there is impairment in value. Where there has been impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified. The results of the subsidiaries are reflected in these financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Note 2 - Summary of significant accounting policies (continued)

2.9 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within one year, otherwise, they are classified as non-current.

Derivative financial instruments are also categorised as held for trading if they do not meet the hedge accounting criteria as defined by IAS 39.

2.10 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received or made under an operating lease are recognised in income over the lease term. Tenancies for real estate are operating leases by this definition.

Leases which transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee are classified as finance leases.

Where the Group is the lessee and the leased asset is an investment property, it recognises such leases at the commencement of the lease term as assets at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Each lease payment is apportioned between finance charge and reduction of outstanding liability so as to produce a constant rate of interest on the liability. The liability is reported in other liabilities. The finance charge is recognised in expenses in the consolidated statement of comprehensive income.

Note 2 - Summary of significant accounting policies (continued)

2.11 Leases (continued)

Where the Group is the lessor, it recognises the present value of lease payments for finance leases as a receivable. Any difference between the gross receivable and the present value of the receivable is recognised in net interest and investment income over the lease term. Finance income is recognised over the lease term using the annuity method, reflecting a constant annual return. So far, the Group is not party to any such leases, either as a lessor or lessee.

2.12 Loans and tenants receivables

Loans and tenants receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised when the Group provides a debtor directly with money, goods or services without any intention of trading the debt.

They are included in current assets, except for maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and tenants receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and tenant receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and tenant receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within "Finance costs".

When a tenant receivable is uncollectible, it is written off against the allowance account for tenant receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position. For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

2.14 Non-currents assets held for sale

Non-current assets (except investment properties) and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Investment properties classified as held for sale are measured at fair value. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and the property must be actively marketed for sale and such sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Note 2 - Summary of significant accounting policies (continued)

2.14 Non-currents assets held for sale (continued)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

Additional disclosures are provided in Notes 7.3 and 11.8. All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

2.15 Loans and accounts payable

Loans and accounts payables are measured initially at fair value, net of transaction costs incurred, and subsequently at amortised cost using the effective interest method. Any difference between the amount of a loan (after deduction of transaction costs) and the amount repaid is recognised in the consolidated statement of comprehensive income over the loan term using the effective interest rate method.

Loans and accounts payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2.16 Provisions

Provisions for legal claims and other obligations are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses unless they related to onerous contracts.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue comprises:

- rental income,
- service charges recoverable from tenants,
- interest income.

Note 2 - Summary of significant accounting policies (continued)

2.17 Revenue recognition (continued)

a) Rental income

Rental income is recognised on a straight line basis over the lease term and includes rents charged to the tenants in accordance with the terms of the related lease agreements taking into account any rent free periods and other lease incentives, net of any sales taxes.

The lease term is the non-cancellable period of the lease together with any further terms for which the tenant has the option to continue to lease the asset when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

b) Service charges recoverable from tenants

Service charges recoverable from tenants represent income receivable from tenants for the services of utilities, warden and property caretakers. When the Group is acting as an agent of the tenants, the service charges income is presented net of the related expenses. Service charges recharged to tenants are recognised on an accrual basis in the period to which these relate and in which that expense can be contractually recovered.

c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

d) Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Group's shareholders.

2.18 Taxation

Tax expense for the reporting period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Note 2 - Summary of significant accounting policies (continued)

2.19 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

Note 3 - Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Company

Investments in Group undertakings are accounted for at cost and assessed for impairment by the directors. In making this judgement, the directors evaluate, among other factors, the financial health of and near-term business outlook for the investee companies, (including factors such as industry and investee projected performance and operational and financing cash flow). Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these consolidated financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Group

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities.

Actual amounts may differ from these estimates. In particular, management must make estimates and assumptions in the following areas:

3.1 Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the consolidated financial statements.

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 Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a 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.

Note 3 - Critical accounting estimates and judgement (continued)

3.1 Fair value measurements (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities, as well as the investment property as of 31 December 2017:

	Fair value by level of hierarchy 31 December 2017			
	EUR	**EUR**	**EUR**	**EUR**
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets and liabilities measured at fair value				
Assets classified as held for sale	-	703,913	-	703,913
Assets and liabilities for which fair value is disclosed				
Tenants receivables	-	-	-	-
Receivables from related parties	-	-	-	-
Cash and cash equivalents	-	12,769,852	-	12,769,852
Accounts payable	-	(943,106)	-	(943,106)
Payables to related parties	-	(500)	-	(500)
Liabilities directly associated with assets classified as held for sale	-	(204,668)	-	(204,668)

Fair value of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow ("DCF") method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2017.

The valuation techniques applied to fair value the derivatives include the swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.

Note 3 - Critical accounting estimates and judgement (continued)
3.1 Fair value measurements (continued)

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities, as well as the investment property as of 31 December 2016:

	Fair value by level of hierarchy 31 December 2016			
	EUR	EUR	EUR	EUR
	Level 1	Level 2	Level 3	Carrying amount
Assets and liabilities measured at fair value				
Assets classified as held for sale	-	3,317,763	-	3,317,763
Assets and liabilities for which fair value is disclosed				
Tenants receivables	-	14,485	-	14,485
Receivables from related parties	-	30,000	-	30,000
Cash and cash equivalents	-	565,396,745	-	565,396,745
Accounts payable	-	(1,935,768)	-	(1,935,768)
Payables to related parties	-	(407,000,500)	-	(407,000,500)
Liabilities directly associated with assets classified as held for sale	-	(7,102,158)	-	(7,102,158)

Fair value of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow ("DCF") method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 31 December 2016.

The valuation techniques applied to fair value the derivatives include the swap models, using present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.

The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, rent receivables, account payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments;
- The fair value of floating rate loans (from banks, shareholders and related parties) is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs;
- The fair values of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument;
- The fair value of tenant deposits is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Note 3 - Critical accounting estimates and judgement (continued)

3.1 Fair value measurements (continued)

a) Estimate of fair value of investment properties

As at each year-end, all properties were valued by external appraisers. Each year, the Board of Managers appointed external appraisers who were responsible for the external valuations of the Group's property for the annual consolidated financial statements. Selection criteria included market knowledge, reputation, independence and whether professional standards were maintained.

The valuation results were reviewed by the Board of Managers with the assistance of BGP Asset Management GmbH team and any issues related to the valuation of the Group's property were further discussed and clarified with the external appraisers.

The investment properties owned by the Group (through subsidiaries) have been sold during the year 2016. As at 31 December 2017 there are no more investment properties held by the Group.

The valuations were performed by CBRE, an accredited independent valuer. CBRE is a specialist in valuing these types of investment properties, due to its current local and national knowledge of the particular property market involved and its skills and understanding to undertake the valuations competently.

The valuations were prepared in accordance with the RICS Valuation – Professional Standards, Ninth Edition (Red Book), published by the Royal Institution of Chartered Surveyors January 2014 and are consistent with the principles in IFRS 13. The properties have been valued individually and no account has been taken of discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

The properties were freehold-equivalent or leasehold-equivalent and were mainly apartment buildings, high-rise apartment blocks and mixed-used properties. The portfolio also included retail units (office units and commercial units) and garages, parking spaces and miscellaneous rental units (antennae, advertising, automats etc.), that generated additional rental income.

3.2 Income taxes

The Group is subject to income tax in different jurisdictions. Significant estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax consequences 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 provisions in the period in which such determination is made.

Note 3 - Critical accounting estimates and judgement (continued)

3.3 Acquisitions and disposal of property companies

The carrying values of these estimates are presented on the face of the consolidated statement of financial position.

The Group acquired subsidiaries that own investment properties. At the time of each acquisition, the Group considers whether or not the acquisition represents an integrated set of activities and assets to conclude whether the acquisition is a business combination. More specifically, the following criteria are considered:

a. the number of items of land and buildings owned by the subsidiary,
b. the extent of ancillary services provided by the subsidiary (eg. maintenance, cleaning, security, bookkeeping, hotel services etc.),
c. whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information),
d. whether the management of the investment property is a complex process.

When the acquired subsidiaries do not represent an integrated set of activities and assets, 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 values, and no goodwill nor deferred tax resulting from the allocation of the cost of acquisition is recognised. The Group accounts for acquisition of subsidiaries as a business combination where an integrated set of activities is acquired in addition to the properties.

No acquisition or disposal of property companies took place during 2017.

3.4 Operating Lease Commitments – Group as Lessor

The Group entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of each individual arrangement, that it retains all the significant risks and rewards of ownership of these properties and as a consequence accounts for the contracts as operating leases.

3.5 Going concern assessment

The Group's consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its financial obligations as and when they fall due. As at 31 December 2017, the Group's total assets exceeded its total liabilities by EUR 25.6m. The company has a healthy cash position as at 31 December 2017 of EUR 12.8 million compared to EUR 5.8 million of liabilities towards related parties, accounts payable and accrued expenses and income taxes payable. The Group is curtailing its operations, the process is not expected to be finalised within the next twelve months. Accordingly, the Board of Directors continues to adopt the going concern basis in preparing the consolidated financial statements.

Note 4 - Investments in group undertakings

As at 31 December 2017, the Group, including the Company encompassed a total of 39 business entities listed in note 17.

Company

	2017	2016
	EUR	EUR
Opening carrying amount	**164,432,886**	164,432,886
Return of investment/reduction in share premium	**(136,000,000)**	-
Impairment on investments	**(9,311,835)**	-
Closing carrying amount	**19,121,051**	164,432,886

Investments in Company's undertakings as at 31 December 2017 are shown below:

	Registered Office	**Class of shares held**	**Percentage of shares held**
BGP Holdings 2 Limited	B2 Industry Street Qormi, QRM 3000 Malta	Ordinary shares	99.99 %

On 3 July 2017, the Company acting as sole shareholder of BGP Holdings 2 Limited decided to decrease its share premium account by an amount of EUR 136,000,000.
Consequently the total historical cost of the investment in BGP Holdings 2 Limited amounts to EUR 28,432,886 as at 31 December 2017.

Note 5 - Acquisitions and disposals

5.1 Acquisition of shares in subsidiary

Group

BGP Holdings Europe acquired the remaining 5.4% stakes of BGP Otto Erwerber Portfolio 3 GmbH held by Spectrum Gesellschaft für situative KommunikationsforschungmbH for a purchase price of EUR 110,000. This acquisition resulted in a goodwill of EUR 108,500 which has been fully depreciated during the year.

5.2 Sale and liquidation of shares in subsidiaries

a) Disposal of shares in subsidiaries

Following the sale of BGP Investment S.à r.l. in 2016, purchase price has been adjusted by an amount of EUR 3,830,458 in favour of the Group. These additional proceeds have been received in March 2018.

b) Liquidation of subsidiaries

The following companies holding no investment properties as at 1 January 2017 were liquidated during 2017 for a combined loss on liquidation of EUR (10,686):

- BGP Property Partner 1 S.à r.l., liquidated on 27/12/2017
- BGP Residential GP 2 S.à r.l., liquidated on 27/12/2017
- BGP Residential GP 3 S.à r.l., liquidated on 27/12/2017
- HBI LuxFinCo S.à r.l., liquidated on 27/12/2017
- Jade Management Holding S.à r.l., liquidated on 24/04/2017

Note 6 – Operating segment

The Group was organised in one major business segment, Residential, which was also the only reportable operating segment of the Group.

The operating segment "Residential" included the acquisition, development, leasing and disposal of residential properties. This operating segment derived its revenue primarily from rental income from lessees.

The management has determined the operating segments based on the reports reviewed by the Board of Managers in making strategic decision. The main factor used to identify the Group's reportable segment is the real estate sector.

The Board of Managers assess the performance of the operating segment based on a measure of the operating profit. The operating profit and the result of the Group's reportable segment reported to the Board of Managers are measured in a manner consistent with that in profit or loss. A reconciliation of operating profit to profit before tax is therefore not presented separately.

The assets and liabilities of the Group's operating segment as at 31 December 2017 are the same as those reported in the consolidated statement of financial position at that date excluding the asset held for sale and the liabilities associated with assets held for sale.

Following the sale of all its investments in 2016, the Group is no longer operating in the Residential business segment.

Note 7 – Assets

7.1 Investment properties

	Total 2017 EUR	Total 2016 EUR
Fair value at the beginning of the year	-	1,153,332,700
Sale of investment properties	-	(532,744)
Costs subsequently capitalised	-	19,359,845
Valuation gains from investment properties		
- Fair value gains on investment properties	-	24,267,302
- Fair value losses on investment properties	-	-
Derecognition following to disposal of subsidiary	-	(1,196,427,103)
Fair value at the end of the year	-	-

Note 7 – Assets (continued)

7.2 Investment in associates

Group

As at 31 December 2017, investment in associates is comprised of the following companies which hold or held properties located in Germany:

- "Heidi portfolio" (35%), comprised of the following entities:
  - KPI Retail Property 20 S.à r.l.
  - Jade Management Holding S.à r.l., liquidated on 24/04/2017
  - Jade Porfolio 1 S.à r.l. (merged into Jade Management Holding S.à r.l.)
  - Jade Portfolio 2 S.à r.l. (merged into Jade Management Holding S.à r.l.)
- Narat GmbH ("Narat") (30%)
- BGP Otto 3 GmbH & Co KG ("BGP Otto 3") (25%)

	Heidi	**Otto 3**	**Total**
Carrying value as at 31 December 2015	1,248,590	3,099,167	4,347,757
Share of result from Associate	-	(378,840)	(378,840)
Cash received	(1,159,952)	(2,720,327)	(3,880,279)
Other	(58,638)	-	(58,638)
Receivable included in RPT (note 14)	(30,000)	-	(30,000)
Carrying value as at 31 December 2016	-	-	-
Share of result from Associate	-	-	-
Cash received	-	-	-
Other	-	-	-
Receivable included in RPT (note 14)	-	-	-
Carrying value as at 31 December 2017	-	-	-

a) Heidi Portfolio

The investment properties of the aforementioned "Heidi portfolio" were unconditionally sold in the year ended 31 December 2014. Consideration was partially deferred to 2015 and 2016. The share of result from the investment in Heidi realised in the year ended 31 December 2015 was determined by a positive adjustment of the consideration agreed in 2014. There was no additional adjustment of the consideration in 2016 and 2017.

The carrying value of the investment in Heidi Portfolio is nil as at 31 December 2017.

b) Narat

The investment in Narat GmbH is held by the Company through its subsidiary Treso S.à r.l. & Co KG.

Following the important appreciation of the CHF against EUR, the direct impact on the Narat's bank loan and derivative instrument in CHF reduced its NAV to a negative balance. Consequently, the 30% of shares held by the Group was impaired for its total amount EUR 22.1 million in 2014. The value of the shares reduced to nil remains unchanged as at 31 December 2017.

On the 5th May 2015, Narat GmbH filed for insolvency. There is no recourse to BGP Group and BGP Group does not expect to receive any funds following the insolvency proceedings.

Note 7 – Assets (continued)

7.2 Investment in associates (continued)

c) BGP Otto 3

The project BGP Otto 3 represents the Group's investment in BGP Otto 3 GmbH & Co KG which has sold its investment properties during the year 2016.

The carrying value of the investment in BGP Otto 3 is nil as at 31 December 2017.

7.3 Assets and liabilities included in disposal groups classified as held for sale

Group

As at 31 December, assets and liabilities of the following companies were classified as held for sale;

2017
- BGP Retail 9 S.à r.l. & Co KG
- HBI France PropCo ApS

2016
- BGP Retail 9 S.à r.l. & Co KG
- HBI France PropCo ApS

Assets	**2017**	2016
	EUR	EUR
Investment property	-	-
Tenants receivables	**88,043**	567,317
Prepayment and other assets	**41,506**	320,391
Cash and cash equivalents	**574,364**	2,430,055
Income taxes receivable	-	-
Assets classified as held for sale	**703,913**	3,317,763

Liabilities	**2017**	2016
	EUR	EUR
Bank loans and overdrafts	-	(5,716,352)
Income taxes payable	-	(179,939)
Accounts payable and accrued expenses	**(204,668)**	(1,205,867)
Liabilities directly associated with assets classified as held for sale	**(204,668)**	(7,102,158)

The movements on Investment properties held for sale were as follows:

	2017	2016
	EUR	EUR
Balance at start of period	-	68,840,000
Sale of investment properties	-	(68,010,198)
Costs subsequently capitalised	-	-
Fair value losses	-	(829,802)
Balance at end of year	-	-

Note 7 – Assets (continued)

7.4 Tenant receivables

Group

	2017 EUR	2016 EUR
Rent receivable	**43,699**	33,920
Service charges receivable	**-**	-
Provision for impairment	**(18,454)**	(19,435)
	25,245	14,485

Rent and service charge receivable are non-interest bearing and are typically due within 30 days.

As at 31 December 2017 receivables with a nominal value of EUR 43,699 (2016: EUR 33,920) were partially impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2017 EUR	2016 EUR
As at start of year	**19,435**	15,592,244
Increases	**-**	-
Decreases	**(981)**	(15,572,809)
As at end of year	**18,454**	19,435

As at 31 December, the analysis of trade receivables that were past due but not impaired is set below:

			Past due not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**> 120 days**
31 December 2016	14,485	-	14,485	-	-	-	-
31 December 2017	**25,245**	**-**	**25,245**	**-**	**-**	**-**	**-**

7.5 Cash and cash equivalents

Group and Company

	2017 Group EUR	2016 Group EUR	2017 Company EUR	2016 Company EUR
Cash at bank – non restricted	**12,769,852**	565,396,745	**19,622**	295,436
Cash at bank – restricted	**-**	-	**-**	-
Short-term deposits – non restricted	**-**	-	**-**	-
Short-term deposits – restricted	**-**	-	**-**	-
Cash in hand	**-**	-	**-**	-
	12,769,852	565,396,745	**19,622**	295,436

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents equals their carrying amount.

Note 7 – Assets (continued)

7.6 Prepayments and other assets

Group and Company

	2017 Group EUR	2016 Group EUR	2017 Company EUR	2016 Company EUR
Other	**188,405**	187,853	**-**	-
Receivable from tax authorities	**3,853,187**	3,839,223	**3,842,452**	3,842,452
Trade receivables	**-**	-	**-**	-
Prepayments and accrued expenses	**294,209**	249,519	**245,595**	271,276
Deposits	**10,403**	-	**-**	-
Sales proceeds receivable	**13,830,458**	20,000,000	**-**	-
	18,176,662	24,276,595	**4,088,047**	4,113,728

A value adjustment of EUR 10,000,000 has been recorded on the sale proceeds receivable of EUR 20,000,000 put into escrow account. An amount of EUR 13,816,909 has been received by the Group in March 2018.

Note 8 - Equity and liabilities

8.1 Share capital

Group and Company

	2017 EUR	2016 EUR
Authorised		
9,796,902,030 ordinary 'A' shares of EUR0.0000102072 each	**99,999**	99,999
1 ordinary 'B' share of EUR1	**1**	1
	100,000	100,000
Issued and fully paid		
9,796,902,030 ordinary 'A' shares of EUR0.0000102072 each	**99,999**	99,999
	99,999	99,999

Holders of ordinary 'A' shares have the right to receive dividends, participate in the profits of the company and attend and vote at all general meetings of the Company.

8.2 Share premium account

Group and Company

This amount is not distributable by way of dividend to shareholders. It may be applied by the Company in paying up unissued shares of the Company as fully paid bonus shares to the shareholders of the Company.

	2017 EUR	2016 EUR
Share premium	**30,606,786**	166,606,786

On 3 July 2017, the shareholders of the Company decided to decrease share premium account by an amount of EUR 136,000,000 from EUR 166,606,786 to EUR 30,606,786.

Note 8 - Equity and liabilities (continued)

8.3 Accounts payable and accrued expenses

Group and Company

	2017 Group EUR	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Tenant payables and deposits	**-**	-	**-**	-
Other creditors and accrued expenses	**622,690**	1,933,846	**35,273**	31,131
Earn-out	**-**	-	**-**	-
Deferred income	**-**	-	**-**	-
VAT payable	**544**	827	**-**	-
Taxes excluding income tax	**-**	1,095	**-**	-
Total trade and other liabilities	**623,234**	1,935,768	**35,273**	31,131

Note 9 - Financial risk management

9.1 Financial risk factors

Group

The Group's principal financial liabilities comprise accounts payable and accrued expenses as well as income taxes payables. The Group's main financial assets consist of trade and other receivables, as well as cash and short-term.

The Group's exposure to market risk, credit risk and liquidity risk is very limited due to the fact that the Group has sold all its investments in 2016. The Group has enough cash to reimburse all its liabilities.

9.2 Foreign exchange risk

Group

The Group operates only in Europe and is consequently not exposed to foreign exchange risk.

9.3 Credit risk

Group

Financial instruments that potentially subject the Group to credit risk are primarily cash and cash equivalents, trade receivables, derivatives and other current assets. The Group has also very minimal exposure to credit risk due to the sale of its investment properties.

a) Risk for trade receivables and other current assets

The Group has no significant concentrations of credit risk.

There are past due receivables fully provided for in the amount of EUR 18,454 (2016: EUR 19,435) concerning tenants that defaulted on the rent. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

Note 9 - Financial risk management (continued)

9.3 Credit risk (continued)

b) Risk for cash and cash equivalents

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. The Group has cash and cash equivalents as described in note 7.5, with the following long-term bank deposit ratings by S&P, Fitch and Moody's:

- Banque et Caisse D'Epargne de l'Etat — **Aa2** (Moody's), **AA+** (S&P)
- Unicredit Bank AG — **Baa1** (Moody's), **BBB** (S&P), **BBB** (Fitch)
- ING Bank N.V. — **Aa3** (Moody's), **A+** (S&P), **A+** (Fitch)
- MeDirect — Unrated

9.4 Liquidity risk

Group

The Group has a limited exposure to liquidity risks due to the fact that assets of the Group are mainly composed of cash and receivables in relation with the sale of BGP Investment.
Cash is liquid on the market and the Group is consequently not exposed to liquidity risks. Furthermore most of receivables in relation with the sale of BGP Investment have been perceived in March 2018 by the Group.

9.5 Interest rate risk

Group

The Group's interest rate risk is nil. Indeed the Group has no bank loans as at 31 December 2017.

Note 10 - Financial risks

10.1 Currency risk

Group

Currency exposure is connected to financing either expressed in foreign currencies in a company having EUR as functional currency or being denominated in EUR in companies having another currency as functional currency. The Group has no significant currency exposure.

10.2 Liquidity and cash flow interest rate risk

Group

As mentioned in Note 9.4 the Group's exposure to liquidity risk is very limited due to the fact that assets of the Group are mainly composed of cash, short term deposits and receivables in relation with the sale of BGP Investment.

The table below analyses the Group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period as from 31 December 2017 to the contractual maturity date.

Note 10 - Financial risks (continued)

10.2 Liquidity and cash flow interest rate risk (continued)

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the statement of financial position for borrowings, derivative instruments and other payables considered as financial instruments.

	On demand	Not later than 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
			EUR		
Payables to related parties	-	**500**	-	-	-
Other liabilities	-	**5,871,904**	-	-	-
31 December 2017	**-**	**5,872,404**	-	-	-

	On demand	Not later than 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
			EUR		
Payable to related parties	-	407,000,500	-	-	-
Other liabilities	-	6,703,560	-	-	-
31 December 2016	-	413,704,060	-	-	-

10.3 Capital management

Group

During 2016 the Group disinvested from all its investment properties and repaid most of its loans with the objective to optimise the value to be repatriated to its shareholders.

	31 December 2017	31 December 2016
Investment property	-	-
Equity accounted investments	-	-
Assets held for sale	**703,913**	3,317,763
GAV	**703,913**	3,317,763
Liabilities related to assets held for sale	**204,668**	7,102,158
Cash and cash equivalents	**(12,769,852)**	(565,396,745)
Net loans	**(12,565,184)**	(558,294,587)
Loan to value	**N/A**	N/A

Note 11 - Consolidated statement of comprehensive income

The consolidated statement of comprehensive income uses a classification of expenses by nature.

11.1 Revenue from investment properties

Group

	2017	2016
	EUR	EUR
Rental income from investment properties	-	68,049,431
Service charges recoveries	-	32,172,108
Other building income	**7,446**	1,062,232
	7,446	101,283,771
Asset management fees	-	182,934

11.2 Expenses related to investment properties

Group

	2017	2016
	EUR	EUR
Utilities	-	24,303,444
Maintenance and repairs	-	9,294,465
Staff wages, salaries, bonuses and social security	-	8,019,560
Bad debt allowances	-	2,119,629
Leasehold costs	-	2,355,845
Letting costs	-	60,286
Property taxes	-	2,813,273
Insurance	-	2,557,795
Other	**2,577**	161,087
	2,577	51,685,384

11.3 Corporate expenses

Group and Company

	2017 Group EUR	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Tax consulting and audit fees	**771,864**	2,777,793	**22,420**	23,423
Consulting and legal fees	**2,798,747**	22,592,825	**188,074**	163,079
Other corporate expenses	**1,785,602**	7,429,440	**6,547**	6,093
Management bonus	**3,500,000**	-	**3,500,000**	-
Insurance	**127,160**	3,087,708	**127,160**	678,410
	8,983,373	35,887,766	**3,844,201**	871,005

Note 11 - Consolidated statement of comprehensive income (continued)

11.3 Corporate expenses (continued)

Fees charged by the auditor for services rendered during the financial years ended 31 December 2017 and 2016 relate to the following:

	2017 Group EUR	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Annual statutory audit	**63,345**	350,000	**33,217**	23,423
	63,345	350,000	**33,217**	23,423

11.4 Other operating expenses

Group

	2017 Group EUR	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Value adjustment on receivables/investments	**10,000,000**	-	**9,311,835**	-
Other operating expenses	**230,076**	4,168,632	**-**	-
	10,230,076	4,168,632	**9,311,835**	-

11.5 Net unrealised / realised (losses) / gains on investment properties

	2017 EUR	2016 EUR
Fair value gains on investment properties	**-**	24,267,302
Fair value losses on investment properties	-	-
Net fair value losses/gains on investment properties (note 7.1)	**-**	24,267,302

11.6 Finance income and costs

Group and Company

Finance income and costs for the years ended 31 December 2017 and 2016 are as follows:

Finance income	**2017 Group EUR**	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Discount on settlement of external loan	**-**	-	**-**	-
Other finance income	**254,766**	138,039	**-**	-
Net FX Gain	**-**	-	**-**	-
Interest income	**917,730**	153	**285,096**	153
	1,172,496	138,192	**285,096**	153

Finance costs	**2017 Group EUR**	2016 Group EUR	**2017 Company EUR**	2016 Company EUR
Interest on bank loans	**-**	(16,371,117)	**-**	-
Interest on loan payable	**-**	-	**(48,956)**	-
SWAP payments	**-**	(18,615,326)	**-**	-
Amortisation of capitalised finance costs	**-**	(6,051,286)	**-**	-
Loan termination fees	**-**	(8,644,637)	**-**	-
Other finance costs	**(458,187)**	(940,722)	**(564)**	(1,759)
Net foreign exchange loss	**-**	(2,641)	**-**	-
	(458,187)	(50,625,729)	**(49,520)**	(1,759)

Note 11 - Consolidated statement of comprehensive income (continued)

11.7 Income tax

Group

The reconciliation between tax expenses and amount arrived at by applying the Group tax rate 35.00% to net gain/ (loss) before tax is as follows:

	2017	2016
	EUR	EUR
Profit/(loss) before tax from continuing operations	**(14,614,568)**	28,672,368
Profit/(Loss) before tax from discontinued operations	**4,329,748**	(3,850,664)
Net profit/(loss) before tax	**(10,284,820)**	24,821,704
Expected tax expense/income: (2017 & 2016: 35.00%)	**(3,599,687)**	(8,687,596)
Effect of tax rates in other countries	-	(3,173,248)
Effect if FRFTC	**(296,504)**	-
Permanent differences	-	(3,257,864)
Timing differences	-	(50,494,712)
Expenses not deductible for tax	**3,654,722**	-
Share of result of associates	-	-
Additions to unrecognized losses carried forward	-	33,297,756
Utilisation of previously unrecognised losses carried forward	-	-
Other tax effect	-	(1,113,378)
Effective income tax (current and deferred)	**(241,469)**	(33,429,042)

No deferred tax assets have been recognised for tax losses carried forward. Management estimates that the Group companies will not be able to utilise their tax losses in the foreseeable future. All tax losses carried forward for which no deferred tax assets have been recognised do not expire.

At 31 December 2017 and 2016, there was no recognised deferred tax liabilities for withholding tax and other taxes that would be payable in connection with unremitted earnings of subsidiaries, as the Group is able to control the timing of the distribution and the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Note 11 - Consolidated statement of comprehensive income (continued)

11.7 Income tax (continued)

Group (continued)

There are no income tax consequences for the Group attached to any payment of dividends in either 2017 or 2016 by the Company to its shareholders.

Company

	2017	2016
Current taxation:	EUR	EUR
Current tax expense	82,649	4,485,061

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

	2017	2016
	EUR	EUR
Profit/(loss) before tax	(12,920,460)	416,201,407
Tax on Profit/(loss) at 35%	(4,522,161)	145,670,492
Tax effect of:		
Income subject to 15% final withholding tax	-	(31)
Income not subject to tax		
Expenses not deductible for tax purposes	4,439,512	305,467
Non-taxable income	-	(141,490,867)
Tax expense	82,649	4,485,061

11.8 Discontinued operations

The results of the discontinued operations for the year are presented below (please refer to notes 3.3 and 17):

	2017	2016
	EUR	EUR
Loss of control of subsidiary	(77,122)	-
Revenue from investment properties	-	4,846,542
Expenses related to investment properties	(642,213)	(2,352,050)
Corporate expenses	(87,993)	(750,538)
Other operating expenses	(110,880)	(377,776)
Other operating income	1,384,551	9,672
Net gains/(loss) on disposals	(53,048)	(3,816,557)
Valuation losses from investment property	-	(829,802)
Finance income	4,478,352	-
Finance costs	(12,129)	(580,155)
Net gains on derivatives	-	-
Profit before tax from discontinued operations	4,879,518	(3,850,664)
Current income tax	(549,770)	-
Deferred income tax	-	-
Profit/(Loss) after tax for the year	4,329,748	(3,850,664)

Note 11 - Consolidated statement of comprehensive income (continued)

11.8 Discontinued operations (continued)

The net cash flows incurred by the discontinued operations are as follows:

	2017	2016
	EUR	EUR
Operating	**(603,052)**	(6,827,044)
Investing	**-**	65,400,000
Financing	**(1,252,638)**	(57,623,165)
Net cash outflow	**(1,855,690)**	(949,791)

11.9 Directors' emoluments

	2017	2016	**2017**	2016
	Group	Group	**Company**	Company
	EUR	EUR	**EUR**	EUR
Directors' fees	**1,593,251**	194,500	**5,418**	5,418

Note 12 – Leases

Group

Following the sale of all its investment properties, the Group is no more involved with operating lease agreements for the office, retail and residential properties portfolio.

Note 13 – Contingencies, commitments and guarantees

Group

Securities and pledges

The Group's principal business activity was the investing in investment properties in Europe, through a mixture of equity and external financing. The Group through its underlying property owning subsidiaries and associates entered into various finance agreements in the past for which the securities were in-line with normal market practice for financing investment properties in Europe.

At the end of 2017, no more investment properties were held by the Group. Therefore the Group does no longer provide securities and pledges to the financial institutions.

Operating lease commitments – Group as lessor

The Group used to lease real estate under operating leases. The terms of the leases were in line with normal practices in each market. Leases were reviewed or subject to automatic inflationary adjustments as appropriate.

At the end of 2017, the Group was no longer involved with operating lease commitments.

Ongoing litigation

As of 31 December 2017, there was no material on-going litigation, which could materially affect the consolidated financial position of the Group.

Note 13 – Contingencies, commitments and guarantees (continued)

Company

As of 31 December 2017 and 2016, there are no capital commitments and contingent liabilities which have not been disclosed in these financial statements.

Note 14 - Related parties transactions

Companies forming part of the Group are considered by the directors to be related parties as these companies have the same ultimate controlling company. Transactions with related parties are entered into on a regular basis as a result of normal commercial transactions.

a) Receivable from and payables to related parties (Group)

The following amounts were receivables from and payables to related parties as at the end of year:

Receivable from related parties	**2017**	2016
	EUR	EUR
Jade Management Holding S.à r.l.	-	30,000
	-	30,000

Payables to related party	**2017**	2016
	EUR	EUR
Dividend payable to Trust Company Fiduciary Services Limited	-	385,429,000
Dividend payable to GPT Group	-	21,571,000
Payable to Vivacon AG	**500**	500
	500	407,000,500

b) Receivable from and payables to related parties (Company)

Receivable from related parties	**2017**	2016
	EUR	EUR
Receivable from BGP Holdings 2 Limited	**2,031,624**	408,746,528
Loan to BGP Holdings 2 Limited	**1,947,602**	320,000
	3,979,226	409,066,528

Payables to related party	**2017**	2016
	EUR	EUR
Dividend payable to Trust Company Fiduciary Services Limited	-	385,429,000
Dividend payable to GPT Group	-	21,571,000
Amounts owed to group BGP Holdings Europe	**1,016,415**	949,685
Loan payable to BGP Holdings Europe	**5,209,145**	55,000
Interest on loan from BGP Holdings Europe	-	5,189
	6,225,560	408,009,874

Note 14 - Related parties transactions (continued)

c) Key management personnel

The key management of the company are considered to be the directors. Directors' fees received by the directors during the current and preceding financial years amounted to Euro 5,418. The company was also charged consultancy fees amounting to EUR 139,000 (2016: EUR 139,000) by a company which is owned by a member of key management. During 2017, the Group paid a management bonus of Euro 5,000,000.

Note 15 - Statutory information

BGP Holdings plc is a public limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of BGP Holdings plc is The Trust Company (Australia) Limited with its registered address at Level 18, 123, Pitt Street, Sydney, NSW2000, Australia.

Note 16 - Subsequent events

The sale price of BGP Investment S.à r.l. has been adjusted by an amount of EUR 3,830,458 in favour of the Group. These additional proceeds have been received in March 2018.
Furthermore EUR 20 million was held in escrow accounts for up to two years to satisfy possible representation and warranty insurance claims and pending a final audited true-up of the closing accounts of the sale transaction. An amount of EUR 9,986,451.85 has been realised in March 2018.

Apart from the above, there were no other subsequent events as at the date of approval of these consolidated financial statements.

Note 17 - Group companies

The detailed list of the consolidated entities is as follows:

	Name of the Company	Country	% Control	% Interest	Consolidation Method	(dis)continued activity
1	BGP Finance S.à r.l.	Luxembourg	100%	100%	Full method	continued
2	BGP Holdings Europe S.à r.l.	Luxembourg	100%	100%	Full method	continued
3	BGP Holdings PLC	Malta	100%	100%	Full method	continued
4	BGP Holdings 2 Limited	Malta	100%	100%	Full method	continued
5	BGP Otto Erwerber Portfolio 3 GmbH	Germany	100%	100%	Full method	continued
6	BGP Otto 3 GmbH & Co KG	Germany	25%	25%	Equity	continued
7	BGP Property Partner 1 S.à r.l.	Luxembourg	0%	0%	Liquidated	discontinued
8	BGP Resi GP 2 S.à r.l.	Luxembourg	0%	0%	Liquidated	discontinued
9	BGP Resi GP 3 S.à r.l.	Luxembourg	0%	0%	Liquidated	discontinued
10	BGP Retail 1 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
11	BGP Retail 10 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
12	BGP Retail 11 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
13	BGP Retail 13 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
14	BGP Retail 14 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
15	BGP Retail 16 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
16	BGP Retail 17 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
17	BGP Retail 19 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
18	BGP Retail 3 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
19	BGP Retail 9 S.à r.l. & Co KG	Germany	99.98%	99.98%	Full method	discontinued
20	BGP Retail GP 1 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
21	BGP Retail GP 3 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
22	BGP Retail GP 4 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
23	BGP Retail GP 5 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
24	BGP Retail GP 6 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
25	HBI France HoldCo ApS	Denmark	100%	75%	Full method	discontinued
26	HBI France PropCo ApS	Denmark	100%	75%	Full method	discontinued
27	HBI LuxFin Co S.à r.l.	Luxembourg	0%	0%	Liquidated	discontinued
28	HBI S.à r.l.	Luxembourg	100%	75%	Full method	discontinued
29	KPI Retail Property 1 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
30	KPI Retail Property 10 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
31	KPI Retail Property 11 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
32	KPI Retail Property 13 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
33	KPI Retail Property 14 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
34	KPI Retail Property 16 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
35	KPI Retail Property 17 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
36	KPI Retail Property 19 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
37	KPI Retail Property 20 S.à r.l.	Luxembourg	36.56%	36.56%	Equity	discontinued

Note 17 - Group companies (continued)

	Name of the Company	Country	% Control	% Interest	Consolidation Method	(dis)continued activity
38	KPI Retail Property 3 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
39	KPI Retail Property 9 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
40	Narat GmbH	Germany	30%	30%	Equity	discontinued
41	Norddeutschland Grundbesitz Verwaltungs GmbH	Germany	94.6%	94.6%	Full method	continued
42	Treso S.à r.l. & Co KG	Germany	100%	100%	Full method	discontinued