

BGP HOLDINGS PLC

**Annual Report and Consolidated Financial Statements
31 December 2018**

BGP HOLDINGS PLC
Annual Report and Financial Statements - 31 December 2018

Table of contents	Page(s)
Directors' report	3 - 5
Independent auditors' report	6 - 8
Statement of financial position	9 - 10
Statement of comprehensive income	11
Statement of changes in equity	12 - 13
Statement of cash flows	14 - 15
Notes to the consolidated financial statements	16 – 47

Directors' report

The directors present their report and the audited consolidated and separate financial statements for the year ended 31 December 2018.

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

The real estate investment business of the Company ceased on the sale of its real estate portfolio to investors advised by Morgan Stanley in November 2016. The net proceeds were distributed to the Company's shareholders via a dividend payment of EUR 407 million in March 2017 and a capital 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. Both these escrow accounts have been fully paid out to the Company.

The remaining structure has by mid-2019 been reduced to five companies, with over forty companies from the legacy asset holding structure either merged or in liquidation. The remaining entities will be liquidated as soon as possible claims on past asset sales expire.

Financial position

The NAV of the Company is to be distributed upon final liquidation of the structure, less final liquidation costs. At current exchange rates (1 AUD = 0.622 EUR) this represents a maximum of AUD 0.0053per share.

(Update Group Equity NAV table)

	31 December 2018	31 December 2017
Equity Group share	32,591,508	25,598,600
Exclusion of deferred tax liabilities	-	-
Exclusion of derivative instruments	-	-
Group NAV	32,591,508	25,598,600

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 estate 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 2018	31 December 2017
Investment property	-	-
Equity accounted investments	-	-
Assets held for sale	-	703,913
GAV	-	703,913
<hr/>		
Long term bank loans and CMBS	-	-
Short term bank loans and CMBS	-	-
Liabilities related to assets held for sale	-	204,668
Cash and cash equivalents	(33,444,501)	(12,769,852)
Net loans	(33,444,501)	(12,565,184)
<hr/>		
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. 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. Although the Company has rejected the Notice of Dispute a potential claim continues to exist. Hence the directors must maintain sufficient liquidity in the Company to meet such claim. This of course has hindered the liquidation of the remaining corporate entities and the final distribution to shareholders.

Financial Risk Management

The Group's activities potentially expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all Company undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective Group's financial performance. The Group's Board of Directors provides principles for overall risk management, as well as policies covering risks referred to above.

The Board

The Board met on one occasion 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 2018 the Company made a profit of EUR 6,992,908, due to the reversal of a provision against receipt of escrow proceeds relating to the sale of the portfolio in 2016. In view of the legal position of the Company no dividend has been recommended

Directors' report (continued)

Post Balance Sheet Events

There were no material events after the reporting period which may have an impact on the financial statements.

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 required by the Companies Act (Cap. 386) to prepare 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 company at the end of each financial year and of the profit or loss of the company for the year then ended. In preparing the financial statements, the directors should:

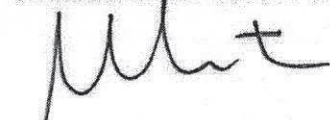
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern;
- Account for income 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 company and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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,



Mr. Mark Dunstan
Director



Ruth Agius Scicluna Buttigieg
Director

Registered office
B2, Industry Street,
Zone 5, Central Business District,
Qormi, CBD 5030
Malta
13 September 2019



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

Tel: +356 2134 2134
Fax: +356 2133 0280
ey.malta@mt.ey.com
ey.com

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 47, which comprise the consolidated and parent company statement of financial position as at 31 December 2018, 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 2018, 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.



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 Group and 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.



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*

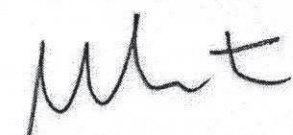
Ernst & Young Malta Limited
Certified Public Accountants

13 September 2019

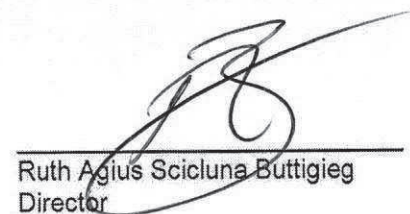
Statement of financial position as at 31 December

	Notes	2018 Group	2017 Group	2018 Company	2017 Company
		EUR	EUR	EUR	EUR
ASSETS					
Non-current assets					
Real estate portfolio					
Investments in subsidiaries	4	-	-	27,867,905	19,121,051
Investment in associates	7.1	-	-	-	-
Total		-	-	27,867,905	19,121,051
Total non-current assets		-	-	27,867,905	19,121,051
Current assets					
Tenants receivables	7.3	-	25,245	-	-
Receivables from related parties	14	-	-	4,316,185	3,979,226
Prepayments and other assets	7.5	594,975	18,176,662	193,932	4,088,047
Cash and cash equivalents	7.4	33,444,501	12,769,852	3,376,544	19,622
Total current assets		34,039,476	30,971,759	7,886,661	8,086,895
Assets included in disposal groups classified as held for sale	7.2	-	703,913	-	-
TOTAL ASSETS		34,039,476	31,675,672	35,754,566	27,207,946

The consolidated financial statements on pages 9 to 47 were authorised for issue by the board on 13 September 2019 and were signed on its behalf by:



Mark Dunstan
Director



Ruth Agius Scicluna Buttigieg
Director

Statement of financial position as at 31 December (continued)

	Notes	2018 Group	2017 Group	2018 Company	2017 Company
		EUR	EUR	EUR	EUR
EQUITY					
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	30,606,786	30,606,786	30,606,786
Retained earnings		1,884,723	(5,108,185)	(1,484,108)	(9,842,321)
Total equity attributable to the owners of the Company		32,591,508	25,598,600	29,222,677	20,864,464
Non-controlling interests		-	-	-	-
Total Equity		32,591,508	25,598,600	29,222,677	20,864,464
LIABILITIES					
Non-current liabilities					
Loans from related parties	14	-	-	5,387,540	5,209,145
Total non-current liabilities		-	-	5,387,540	5,209,145
Current liabilities					
Payables to related parties	14	-	500	1,070,736	1,016,415
Accounts payable and accrued expenses	8.3	369,116	623,234	73,613	35,273
Income taxes payable		1,078,852	5,248,670	-	82,649
Total current liabilities		1,447,968	5,872,404	1,144,349	1,134,337
Liabilities included in disposal groups classified as held for sale	7.2	-	204,668	-	-
Total Liabilities		1,447,968	6,077,072	6,531,889	6,343,482
TOTAL EQUITY AND LIABILITIES		34,039,476	31,675,672	35,754,566	27,207,946

Statement of comprehensive income for the year ended 31 December

	Notes	2018 Group	2017 Group	2018 Company	2017 Company
		EUR	EUR	EUR	EUR
Revenue from investment properties	11.1	-	7,446	-	-
Expenses related to investment properties	11.2	-	(2,577)	-	-
Profit related to investment properties		-	4,869	-	-
Corporate expenses	11.3	(1,791,996)	(8,983,373)	(293,258)	(3,844,201)
Other operating expenses	11.4	(268,154)	(10,230,076)	(118,936)	(9,311,835)
Other operating income	11.5	10,138,932	49,245	8,746,854	-
Net other expenses		8,078,782	(19,164,204)	8,334,660	(13,156,036)
Gains on sale of shares in subsidiaries		-	3,830,458	-	-
Gain on portfolio disposal		-	3,830,458	-	-
Operating profit/(loss)		8,078,782	(15,328,877)	8,334,660	(13,156,036)
Finance income	11.6	-	1,172,496	23,553	285,096
Finance costs	11.6	-	(458,187)	-	(49,520)
Net gains on derivatives		-	-	-	-
Net finance (expenses)/income		-	714,309	23,553	235,576
Net profit/(loss) before tax		8,078,782	(14,614,568)	8,358,213	(12,920,460)
Current income tax	11.7	(1,085,874)	(241,469)	-	(82,649)
Deferred income tax	11.7	-	-	-	-
Net profit/(loss) from continuing activities		6,992,908	(14,856,037)	8,358,213	(13,003,109)
Profit after tax from discontinued activities	11.8	-	4,329,748	-	-
Net profit/(loss) for the year		6,992,908	(10,526,289)	8,358,213	(13,003,109)
Currency translation difference		-	(104,481)	-	-
Total comprehensive income/(loss) for the year, net of tax		6,992,908	(10,630,770)	8,358,213	(13,003,109)
Net profit/(losses) attributable to:		6,992,908	(10,630,770)	8,358,213	(13,003,109)
- Owners of the Company		6,992,908	(10,630,770)	8,358,213	(13,003,109)
- Non-controlling interests		-	-	-	-
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:		6,992,908	(10,630,770)	8,358,213	(13,003,109)
- Owners of the Company		6,992,908	(10,630,770)	8,358,213	(13,003,109)
- Non-controlling interests		-	-	-	-

Statement of changes in equity

<u>Group</u>	Attributable to the Group's Owners							Total equity
	Share capital	Share Premium	Translation reserve	Retained earnings	Shareholders' Equity	Non-controlling interests		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
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	
Net result for the year	-	-	-	6,992,908	6,992,908	-	6,992,908	
Total income and expense for the year	-	-	-	6,992,908	6,992,908	-	6,992,908	
Balance as at 31 December 2018	99,999	30,606,786	-	1,884,723	32,591,508	-	32,591,508	

The notes on pages 16 to 47 are an integral part of these consolidated financial statements.

Statement of changes in equity (continued)

<u>Company</u>	Share Capital	Share Premium	Retained Earnings	Total Equity
	EUR	EUR	EUR	EUR
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
Net result for the year	-	-	8,358,213	8,358,213
Total income and expense for the year	-	-	8,358,213	8,358,213
Balance as at 31 December 2018	99,999	30,606,786	(1,484,108)	29,222,677

The notes on pages 16 to 47 are an integral part of these financial statements.

Statement of cash flows

	Notes	2018 Group	2017 Group	2018 Company	2017 Company
		EUR	EUR	EUR	EUR
CASH FLOW FROM OPERATING ACTIVITIES					
Continuing activities		7,944,395	(14,614,568)	8,358,213	(12,920,460)
Discontinued activities		-	4,329,748	-	-
Profit/(Loss) before income tax		7,944,395	(10,284,820)	8,358,213	(12,920,460)
Adjustments for:					
Depreciation and impairments		(10,000,000)	10,000,000	(8,746,854)	9,311,835
Realised gain on disposal of shares in subsidiaries		-	(3,830,458)	-	-
Finance costs	11.6	266,889	470,316	(118,936)	-
Finance income	11.6	-	(5,650,848)	23,553	-
Changes in working capital:		27,411,582	(2,141,450)	3,923,595	(142,189)
Tax paid		(5,255,692)	490,300	(82,649)	-
Net cash generated from/(used in) operating activities		20,367,174	(10,946,960)	3,356,922	(3,750,814)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from disposal of investment properties		-	-	-	(1,625,000)
Interest received	11.6	-	1,172,496	-	-
Net cash generated from/(used in) investing activities		-	1,172,496	-	(1,625,000)

Statement of cash flows (continued)

	Notes	2018 Group	2017 Group	2018 Company	2017 Company
		EUR	EUR	EUR	EUR
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of bank loans		-	(1,237,804)	-	-
Repayment to related parties		-	(407,000,000)	-	-
Reduction of share premium		-	(136,000,000)	-	-
Interest paid		(266,889)	(470,316)	-	-
Funding from related company		-	-	-	5,100,000
Net cash (used in) / generated from financing activities		(266,889)	(544,708,120)	-	5,100,000
Net increase/(decrease) in cash and cash equivalents		20,100,285	(554,482,584)	3,356,922	(275,814)
Cash and cash equivalents at beginning of the year	7.4	13,344,216	567,826,800	19,622	295,436
Cash and cash equivalents at the end of the year	7.4	33,444,501	13,344,216	3,376,544	19,622

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

	Note	2018 EUR	2017 EUR
Included in disposal groups classified as held for sale	7.3	-	574,364
Included continuing operations	7.4	33,444,501	12,769,852
Total		33,444,501	13,344,216

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 13 September 2019.

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.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration effective for financial year beginning on or after (effective for financial year beginning on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective for financial year beginning on or after 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for financial year beginning on or after 1 January 2018)
- IFRS 9 – Financial instruments (effective for financial years beginning on or after 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective for financial years beginning on or after 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

The adoption of these standards did not have significant impact on the financial statements or performance of the company payments).

Standards, interpretations and amendments to published standards as endorsed by the European Union that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

- IFRS 16: Leases (effective for financial years beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019)
- IFRIC 23: Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS28: Long-term Interests in Associates and Joint Ventures (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (effective for financial years beginning on or after 1 January 2019)
- Annual improvements to IFRS Standards 2015-2017 Cycle (effective for financial years beginning on or after 1 January 2019)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company.

Note 2 - Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet endorsed by the European Union

These are as follows:

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendment to References to the Conceptual Framework in IFRS standards (effective for financial years beginning on or after 1 January 2020).
- Amendments to IFRS3: Business Combinations (effective for financial years beginning on or after 1 January 2020)
- IFRS17 Insurance Contracts (effective for financial years beginning on or after 1 January 2021)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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.

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.

Note 2 - Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

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.

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.

Note 2 - Summary of significant accounting policies (continued)

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

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Note 2 - Summary of significant accounting policies (continued)

2.11 Leases (continued)

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. 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 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 and an asset representing the right to use the underlying asset during the lease term. 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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.

Note 2 - Summary of significant accounting policies (continued)

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.

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.

Note 2 - Summary of significant accounting policies (continued)

2.16 Provisions (Continued)

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.

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.

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

Note 2 - Summary of significant accounting policies (continued)

2.18 Taxation (Continued)

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.

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:

Note 3 - Critical accounting estimates and judgement (continued)

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.

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 2018:

	Fair value by level of hierarchy			EUR Carrying amount
	EUR Level 1	EUR Level 2	EUR Level 3	
Assets and liabilities measured at fair value				
Assets classified as held for sale	-	-	-	-
Assets and liabilities for which fair value is disclosed				
Tenants receivables	-	-	-	-
Receivables from related parties	-	-	-	-
Cash and cash equivalents	33,444,501	-	-	33,444,501
Accounts payable	-	(369,116)	-	(369,116)
Payables to related parties	-	-	-	-
Liabilities directly associated with assets classified as held for sale	-	-	-	-

Note 3 - Critical accounting estimates and judgement (continued)

3.1 Fair value measurements (continued)

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 2018.

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 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 Carrying amount
	EUR Level 1	EUR Level 2	EUR Level 3	
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.

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 2018 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.

b) IFRS 9 – Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that has replaced IAS 39 for annual periods on or after 1 January 2018. The Group has initially adopted IFRS 9 Financial Instruments in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the disclosure requirements resulting from the consequential amendments to IFRS 7 have not generally been applied to comparative information. The significant accounting policies under IAS 39 continue to apply to the 2017 comparative figures.

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories have been replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

Note 3 - Critical accounting estimates and judgement (continued)

3.1 Fair value measurements (continued)

IFRS 9 – Financial Instruments (continued)

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Group has concluded that the financial assets previously classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9. There is no financial impact arising as the accounting measurement is the same as under IAS39.

Impairment of financial assets

IFRS 9 has fundamentally changed the impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months (12-month ECL) unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset (lifetime ECL).

The general principle of IFRS 9 is that ECL accounting requires that the credit risk of financial instruments within the scope of impairment to be assessed for significant increase since initial recognition at each reporting sheet date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Considering the short-term nature of the Group's financial assets, IFRS 9 did not materially impact the impairment calculation of the Group.

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 2018.

3.4 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. This is supported by the cash position as at 31 December 2018 of EUR 33.4 million compared to EUR 1.4 million of liabilities towards related parties, accounts payable and accrued expenses and income taxes payable.

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 2018, the Group, including the Company encompassed a total of 20 business entities listed in note 17.

Company

	2018	2017
	EUR	EUR
Opening carrying amount	19,121,051	164,432,886
Reduction in share premium	-	(136,000,000)
Movement in impairment provision on investment in subsidiaries	8,746,854	(9,311,835)
Closing carrying amount	<u>27,867,905</u>	<u>19,121,051</u>

Investments in Company's undertakings as at 31 December 2018 are shown below:

	Registered Office	Class of shares held	Percentage of shares held
BGP Holdings 2 Limited	B2 Industry Street Zone 5, Central Business District, Qormi, CBD 5030 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 2018.

Note 5 - Acquisitions and disposals

5.1 Acquisition of shares in subsidiary

Group

No acquisition has been made during the year by the Group.

Note 5 - Acquisitions and disposals (continued)

5.2 Sale and liquidation of shares in subsidiaries

a) Liquidation of subsidiaries

The following companies holding no investment properties as at 1 January 2018 were liquidated during 2018:

- KPI Retail Property 20 S.à r.l., liquidated on 30 November 2018
- BGP Retail 1 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 10 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 11 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 13 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 14 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 16 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 17 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 19 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 3 S.à r.l. & Co KG, liquidated on 1 January 2018
- BGP Retail 9 S.à r.l. & Co KG, liquidated on 1 January 2018
- HBI France HoldCo ApS, liquidated on 11 December 2018
- HBI France PropCo ApS, liquidated on 11 December 2018
- Tresco Sarl & Co KG, liquidated on 1 January 2018.

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 derives 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 2018 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 more operating on the Residential business segment.

Note 7 – Assets

7.1 Investment in associates

Group

As at 31 December 2018, investment in associates is comprised of the following companies which hold or held properties located in Germany:

- “Heidi Portfolio” (35%), liquidated in 2018
- Narat GmbH (“Narat”) (30%)
- BGP Otto 3 GmbH & Co KG (“BGP Otto 3”) (25%), liquidated in 2018

a) Heidi Portfolio

KPI Retail Property 20 S.à r.l., the only remaining entity of the Heidi Portfolio as at 31 December 2017, was liquidated on 30 November 2018.

b) Narat

The investment in Narat GmbH was held by the Company through its subsidiary Tresco 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 2018.

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.

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 companies included in the project BGP Otto 3 have been liquidated during 2018.

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

Group

As at 31 December, there were no assets and liabilities classified as held for sale following liquidations during the year of the entities holding assets classified as held for sale in 2017;

2017

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

Assets	2018	2017
	EUR	EUR
Tenants receivables	-	88,043
Prepayment and other assets	-	41,506
Cash and cash equivalents	-	574,364
Assets classified as held for sale	-	703,913

Note 7 – Assets (continued)

7.2 Assets and liabilities included in disposal groups classified as held for sale (continued)

Liabilities	2018 EUR	2017 EUR
Accounts payable and accrued expenses	-	(204,668)
Liabilities directly associated with assets classified as held for sale	-	(204,668)

7.3 Tenant receivables

Group	2018 EUR	2017 EUR
Rent receivable	-	43,699
Provision for impairment	-	(18,454)
	-	25,245

Rent receivable is non-interest bearing and is typically due within 30 days.

As at 31 December 2018, receivables with a nominal value of EUR Nil (2017: EUR 43,699) were partially impaired and provided for. Movements in the provision for impairment of receivables were as follows:

	2018 EUR	2017 EUR
As at start of year	18,454	19,435
Increases	-	-
Decreases	(18,454)	(981)
As at end of year	-	18,454

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

	Total	Neither past due nor impaired	Past due not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	> 120 days
31 December 2017	25,245	-	25,245	-	-	-	-
31 December 2018	-	-	-	-	-	-	-

7.4 Cash and cash equivalents

Group and Company	2018 Group EUR	2017 Group EUR	2018 Company EUR	2017 Company EUR
Cash at bank – non restricted	33,444,501	12,769,852	3,376,544	19,622
	33,444,501	12,769,852	3,376,544	19,622

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

Note 7 – Assets (continued)

7.5 Prepayments and other assets

Group and Company

	2018	2017	2018	2017
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Other	389,390	188,405	-	-
Receivable from tax authorities	-	3,853,187	-	3,842,452
Prepayments	195,182	294,209	193,932	245,595
Deposits	10,403	10,403	-	-
Sales proceeds receivable	-	13,830,458	-	-
	594,975	18,176,662	193,932	4,088,047

A value adjustment of EUR 10,000,000 had been recorded in 2017 over the sale proceeds receivable of EUR 20,000,000 put into escrow account. In 2018, the full amount of EUR 20,000,000 has been recovered by the Group. Consequently, a reversal of the value adjustment amounting to EUR 10,000,000 has been recognized.

Note 8 - Equity and liabilities

8.1 Share capital

Group and Company

	2018	2017
	EUR	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.

	2018	2017
	EUR	EUR
Share premium	30,606,786	30,606,786

On 3 July 2017, the shareholders of the company decided to decrease the 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

	2018 Group EUR	2017 Group EUR	2018 Company EUR	2017 Company EUR
Other creditors and accrued expenses	369,116	622,690	73,613	35,273
VAT payable	-	544	-	-
Total trade and other liabilities	369,116	623,234	73,613	35,273

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.

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 7.4, with the following long-term bank deposit ratings by S&P, Fitch and Moody's:

- | | |
|--|---|
| • Banque et Caisse D'Epargne de l'Etat | Aa1 (Moody's), AA+ (S&P) |
| • Unicredit Bank AG | A1 (Moody's), BBB+ (S&P), BBB+ (Fitch) |
| • ING Bank N.V. | Aa3 (Moody's), A+ (S&P), AA- (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.

Cash is liquid on the market and the Group is consequently not exposed to liquidity risks.

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 2018.

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 and short term deposits.

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 2018 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	-	-	-	-	-
Other liabilities	-	1,447,968	-	-	-
31 December 2018	-	1,447,968	-	-	-

	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	-	500	-	-	-
Other liabilities	-	5,871,904	-	-	-
31 December 2017	-	5,872,404	-	-	-

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 2018	31 December 2017
Assets held for sale	-	703,913
GAV	-	703,913
Liabilities related to assets held for sale	-	204,668
Cash and cash equivalents	(33,444,501)	(12,769,852)
Net loans	(33,444,501)	(12,565,184)
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

	2018	2017
	EUR	EUR
Other building income	-	7,446
	-	7,446
	-	7,446

11.2 Expenses related to investment properties

Group

	2018	2017
	EUR	EUR
Other	-	2,577
	-	2,577
	-	2,577

11.3 Corporate expenses

Group and Company

	2018	2017	2018	2017
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Tax consulting and audit fees	236,760	771,864	17,688	22,420
Consulting and legal fees	597,797	2,583,747	181,189	182,656
Directors Fees	215,000	215,000	5,418	5,418
Other corporate expenses	659,429	1,785,602	5,953	6,547
Management bonus	-	3,500,000	-	3,500,000
Insurance	83,010	127,160	83,010	127,160
	1,791,996	8,983,373	293,258	3,844,201
	1,791,996	8,983,373	293,258	3,844,201

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	2018	2017	2018	2017
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Annual statutory audit	60,635	63,345	17,688	33,217
	60,635	63,345	17,688	33,217
	60,635	63,345	17,688	33,217

11.4 Other operating expenses

Group and company

	2018	2017	2018	2017
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Value adjustment on receivables	-	10,000,000	-	9,311,835
Other operating expenses	268,154	230,076	118,936	-
	268,154	10,230,076	118,936	9,311,835
	268,154	10,230,076	118,936	9,311,835

Note 11 - Consolidated statement of comprehensive income (continued)

11.5 Other operating income

	2018 Group EUR	2017 Group EUR
Reversal of value adjustment on receivables	10,000,000	-
Other operating income	138,932	49,245
	10,138,932	49,245

11.6 Finance income and costs

Group and Company

Finance income and costs for the years ended 31 December 2018 and 2017 are as follows:

	2018 Group EUR	2017 Group EUR	2018 Company EUR	2017 Company EUR
Finance income				
Other finance income	-	254,766	-	-
Interest income	-	917,730	22,959	285,096
Realised exchange difference	-	-	594	-
	-	1,172,496	23,553	285,096
Finance costs				
Interest on loan payable	-	-	-	(48,956)
Other finance costs	-	(458,187)	-	(564)
	-	(458,187)	-	(49,520)

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:

	2018 EUR	2017 EUR
Profit/(loss) before tax from continuing operations	8,078,782	(14,614,568)
Profit before tax from discontinued operations	-	4,329,748
Net profit/(loss) before tax	8,078,782	(10,284,820)
Expected tax expense/income: (2018 & 2017: 35.00%)	2,827,574	(3,599,687)
Effect of FRFTC	-	(296,504)
Expenses not deductible for tax	(3,913,448)	3,654,722
Effective income tax (current and deferred)	(1,085,874)	(241,469)

Note 11 - Consolidated statement of comprehensive income (continued)

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 2018 and 2017, there was no recognised deferred tax liabilities for withholding tax and other taxes that would be payable in connection with un remitted 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.

There are no income tax consequences for the Group attached to any payment of dividends in either 2018 or 2017 by the Company to its shareholders.

Company

	2018	2017
	EUR	EUR
Current taxation:		
Current tax expense	-	<u>82,649</u>

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:

	2018	2017
	EUR	EUR
Profit/(loss) before tax	<u>8,358,213</u>	<u>(12,920,460)</u>
Tax on Profit/(loss) at 35%	2,925,374	(4,522,161)
Tax effect of:		
Income subject to 15% final withholding tax	-	-
Income not subject to tax		
Expenses not deductible for tax purposes	136,232	4,439,512
Non-taxable income	<u>(3,061,606)</u>	-
Tax expense	<u>-</u>	<u>82,649</u>

11.8 Discontinued operations

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

	2018	2017
	EUR	EUR
Loss of control of subsidiary	-	(77,122)
Expenses related to investment properties	-	(642,213)
Corporate expenses	-	(87,993)
Other operating expenses	-	(110,880)
Other operating income	-	1,384,551
Net gains/(loss) on disposals	-	(53,048)
Finance income	-	4,478,352
Finance costs	-	(12,129)
Profit before tax from discontinued operations	-	4,879,518
Current income tax	-	(549,770)
Deferred income tax	-	-
Profit/(Loss) after tax for the year	<u>-</u>	<u>4,329,748</u>

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:

	2018		2017
	EUR	-	EUR
Operating	-	-	(603,052)
Investing	-	-	-
Financing	-	-	(1,252,638)
Net cash outflow	-	-	(1,855,690)

11.9 Directors' emoluments

Group and company

	2018		2018	
	Group	Group	Company	Company
	EUR	EUR	EUR	EUR
Directors' fees	215,000	215,000	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.

By 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.

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

Ongoing litigation

As of 31 December 2018, 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 2018 and 2017, 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 payables to related parties as at the end of year:

Payables to related party	2018	2017
	EUR	EUR
Payable to Vivacon AG	-	500
	<u>-</u>	<u>500</u>

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

Receivable from related parties	2018	2017
	EUR	EUR
Receivable from BGP Holdings 2 Limited	2,261,602	1,947,602
Loan to BGP Holdings 2 Limited	2,054,583	2,031,624
	<u>4,316,185</u>	<u>3,979,226</u>

Payables to related party	2018	2017
	EUR	EUR
Amounts owed to BGP Holdings Europe	1,070,736	1,016,415
Loan payable to BGP Holdings Europe	5,215,000	5,160,820
Interest on loan payable to BGP Holdings Europe	172,540	48,325
	<u>6,458,276</u>	<u>6,225,560</u>

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 EUR 5,418 (2017: EUR 5,418). The company was also charged consultancy fees amounting to EUR 139,000 (2017: EUR 139,000) by a company which is owned by a member of key management. No management bonus was paid by the Group during the year (2017:EUR5,000,000)

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

There were no 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%	1000%	Full method	continued
6	BGP Otto 3 GmbH & Co KG	Germany	0%	0%	Liquidated	discontinued
7	BGP Retail 1 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
8	BGP Retail 10 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
9	BGP Retail 11 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
10	BGP Retail 13 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
11	BGP Retail 14 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
12	BGP Retail 16 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
13	BGP Retail 17 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
14	BGP Retail 19 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
15	BGP Retail 3 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
16	BGP Retail 9 S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued
17	BGP Retail GP 1 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
18	BGP Retail GP 3 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
19	BGP Retail GP 4 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
20	BGP Retail GP 5 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
21	BGP Retail GP 6 S.à r.l.	Luxembourg	100%	100%	Full method	discontinued
22	HBI France HoldCo ApS	Denmark	0%	0%	Liquidated	discontinued
23	HBI France PropCo ApS	Denmark	0%	0%	Liquidated	discontinued
24	HBI S.à r.l.	Luxembourg	100%	75%	Full method	discontinued
25	KPI Retail Property 1 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
26	KPI Retail Property 10 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
27	KPI Retail Property 11 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
28	KPI Retail Property 13 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
29	KPI Retail Property 14 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
30	KPI Retail Property 16 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
31	KPI Retail Property 17 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
32	KPI Retail Property 19 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
33	KPI Retail Property 20 S.à r.l.	Luxembourg	0%	0%	Liquidated	discontinued
34	KPI Retail Property 3 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
35	KPI Retail Property 9 S.à r.l.	Luxembourg	99.64%	99.64%	Full method	discontinued
36	Narat GmbH	Germany	30%	30%	Equity	discontinued
37	Norddeutschland Grundbesitz Verwaltungs GmbH	Germany	0%	0%	Liquidated	discontinued
38	Treso S.à r.l. & Co KG	Germany	0%	0%	Liquidated	discontinued

Detailed accounts

	Pages
Statement of comprehensive income	48
Administrative expenses	49

Statement of comprehensive income (Company)

	2018 EUR	2017 EUR
Administrative expenses (page 50)	(293,258)	(3,844,201)
Other operating income/ (expenses)	<u>8,746,854</u>	<u>(9,311,835)</u>
Operating profit/(loss)	8,453,596	(13,156,036)
Interest income	22,959	285,096
Realised difference on exchange	593	-
Other operating expenses	(118,396)	(48,956)
Other finance costs	<u>(541)</u>	<u>(564)</u>
Profit/(loss) for the year before tax	<u>8,358,213</u>	<u>(12,920,460)</u>

Administrative expenses (Company)

	2018	2017
	EUR	EUR
Management bonuses	-	3,500,000
Insurance costs	83,010	127,160
Directors' remuneration	5,418	5,418
Professional and consultancy fees	186,607	177,277
Auditor's remuneration	17,688	33,217
General expenses	535	1,046
Penalties	-	83
Total administrative expenses	293,258	3,844,201

