

Toriase Public Company Ltd

**Consolidated Financial Statements for the year ended
31 December 2021**

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Board of directors and other officers

Board of Directors

Andreas Kkailis (Appointed on 8 June 2021)
Anna Shipilli (Appointed on 8 June 2021)
Maria Poliviou (Appointed on 5 February 2021 and resigned on 8 June 2021)
Andreas Karamanos (Appointed on 2 July 2021 and resigned on 8 June 2021)
Khandaker Abul Hasnat Kabir (Resigned on 5 February 2021)
Sim Choong Kiat (Resigned on 5 February 2021)
Jeffrey Zheng Dong Yang (Resigned on 10 May 2021)

Secretary

Demetrios Tsingis (Appointed on 8 June 2021)
A.I.L Nominee Services Ltd (Resigned on 8 June 2021)

Independent Auditors

KPMG Limited

Registered Office

24 Peiraos, 1st Floor, Office 101
2023, Strovolos, Nicosia, Cyprus

**DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE
COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the consolidated financial statements of Toriase Public Company Ltd (the "Company") for the year ended 31 December 2021, on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements of the Group which are presented on pages 14 to 66:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

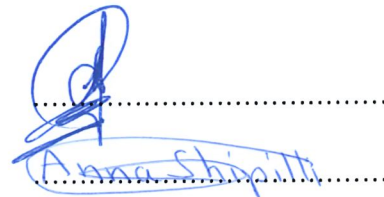
(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and

(b) The management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Andreas Kkailis – Director

Anna Shipilli - Director



Responsible for drafting the financial statements

Andreas Kkailis – Director



Nicosia, 19 July 2022

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Management report

Management of the Company hereby presents its management report for the financial year ended on 31 December 2021.

General information

Toriase Public Company Ltd (the "Company" and together with its consolidated subsidiaries the "Group") hereby presents its audited consolidated financial statements for the year ended 31 December 2021. The Company is a commercial real estate company, focusing on the ownership, management, improvement and selective acquisition and disposal of properties predominantly in the United Kingdom and Germany.

The Company is a public limited company and has its ordinary shares listed on the Emerging Companies Market of the Cyprus Stock Exchange. The Company was incorporated in Cyprus on 23 April 2018 as a limited liability Company under the Cyprus Companies Law, Cap 113. The Company registered address is 24 Pireos, 1st floor, office 101, 2023, Strovolos, Nicosia, Cyprus.

Reverse acquisition

During 2021, the Company acquired 100% of the issued capital of a Luxembourg real estate group ("Lux Group") in a share for share transaction (Note 2(a)).

As the consolidated group results represent the continuation of the financial statements of the legal subsidiary, the assets and liabilities of Lux Group have been recognized and measured in the consolidated financial statements at their pre-combination carrying amounts. The assets and liabilities of the Company have been recognised and measured in accordance with IFRS 3. The retained earnings and other equity balances recognised are the retained earnings and other equity balances of Lux Group immediately before the business combination. The amount of issued equity includes the issued equity interest of the Lux Group immediately before the business combination plus the fair value of the Company.

Comparative information presented in the consolidated financial statements is retroactively adjusted to reflect the legal capital of the Company.

Reverse acquisition reserve in the consolidated statement of changes in equity represents the difference in carrying value between the additional issued shares of the Company and the share capital of Lux Group on the acquisition date.

Important events in 2021 and future developments

COVID-19

With the lifting of the lockdown restrictions and increasing pace of vaccinations, markets recovered during 2021 and 2022. Business demand and letting activity has picked up since the beginning of 2021. Vacancy rates in tier cities are still at a low level due to solid demand and undersupply which kept market rents and values stable or at a slight growth.

As of the date of the report, the Group did not identify a material impact from Covid-19. However, potential new lockdown or business restrictions may affect the recovery of the businesses the Group's tenants operate in. This in turn could lead to loss of rental payments due to a lack of the tenant's liquidity or other reasons. However, driven by the quality of the portfolio, the Group's conservative debt profile and high level of cash the Group expects to be able to absorb such potential losses.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Continued from previous page

Significant acquisitions and disposals

During the reporting period, the Group completed a number of sales of Subsidiaries to third parties. As a result of these sales, the Group has no interest left in these subsidiaries.

As a result of the loss of control, the Group recognized a profit from loss of control in the amount of EUR 24 million which was recognized under Profit on disposal of investment property.

Two of these subsidiaries were already recognized under Assets and Liabilities of disposal groups classified as held-for-sale, as at 31 December 2020.

Appointment of auditor

The independent auditors of the Company, Ekkeshis Ierodiakonou Limited resigned and KPMG Limited was appointed in their place. The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office.

Future developments

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

Review of the Group's business and financial position

The Group generated an operating profit, adjusted for valuation gains, profit on disposals, and results of equity-accounted investees of EUR 154 million (2020: EUR 127 million), an increase of 20.9%.

As at 31 December 2021, the Group's portfolio had a fair value of EUR 3,588 million (31 December 2020: EUR 3,204 million) excluding investment property classified as held for sale.

As at 31 December 2021, the Group had Total Assets in the amount of EUR 5,393 million (31 December 2020: EUR 4,780 million), an increase of 13%.

In July 2021 the Group tapped its original EUR 300 million 2025 Senior Notes by placing an additional EUR 340 million. Following the tap, the Group has loans from credit institutions in amount of EUR 706 million and bonds of EUR 1.53 billion.

The consolidated cash position amounts to EUR 804 million as of 31 December 2021 (EUR 258 million as of 31 December 2020), an increase of EUR 546 million.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

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Principal risks and uncertainties

The Group applies policies for overall risk management, and there are Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks, and more. A more detailed description of financial risk management is available in Note 28 to these consolidated financial statements.

Environmental information

Environmental factors are integral to the Company's business and are included in the investment strategy, due diligence process and business plans. The Company considers its environmental responsibility as an integral part of its sustainable business strategy, complemented by its ESG and energy efficiency strategy. The Company continuously seeks for possibilities to reduce the environmental footprint over the lifecycle of its real estate assets. Environmental risk assessments are regularly conducted, that include all aspects of environmental management, such as climate risk, waste management, energy efficiency and green-house-gas (GHG) reduction possibilities.

Corporate Governance

The Group has listed shares in Emerging Capital Markets of the Cyprus Stock Exchange (CSE). The CSE has established a Corporate Governance Code ("The Code"). The Group does not apply the Code since it is not mandatory for companies listed on the Emerging Companies Market.

Share capital

As at 31 December 2021 the issued and fully paid share capital of the Company consists of 423,129,955 ordinary shares of EUR 2 each with a nominal value of EUR 846,259,910.

The changes in share capital during the year are described in note 12.

Participation of directors in the company's share capital

As of 31 December 2021, and as at the date of this report, the members board of directors of the Company held 0,003% of the Company's share capital.

Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as of 31 December 2021 and 14 July 2022 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2021	14 July 2022
	%	%
Dorota Limited	51,72	51,72
Thirexio Limited	18,17	18,17

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Continued from previous page

Board of directors

The member of the Company's Board of Directors as of 31 December 2021 and at the date of this report is presented on page 3.

On 5 February 2021, Khandaker Abul Hasnat Kabir and Sim Choong Kiat resigned from their position as members of the Board of Directors. On the same day Maria Poliviou was appointed in their place.

On 10 May 2021, Jeffrey Zheng Dong Yang resign from his position as member of the Board of Directors.

On 8 June 2021, Maria Poliviou and Andreas Karamanos resigned from their position as members of the Board of Directors. On the same day, Andreas Kkailis and Anna Shipilli have been appointed on their place.

In accordance with the Company's Articles of Association the directors presently members of the Board continues in office.

Important events after the balance sheet date

In March 2022, the Group cashed additional portion of the non-traded bonds with a book value of EUR 332 million (the "Notes") for a total consideration of EUR 321 million (the "Total Purchase Price") to a EUR 4bn third-party European-based asset manager with expertise in and sizeable exposure to German real estate. The Total Purchase Price was split to immediate cash payment of ca. EUR 110 million which has been received by the Group and to a deferred payment (the "Deferred Payment"). The security package for the Deferred Payment includes a full pledge over the Notes sold.

Post the reporting period, the group successfully acquired through share and asset deals investment properties from third parties for a consideration of approximately EUR 245 million.

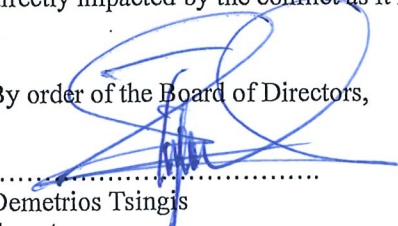
Post the reporting period an agreement was signed with a long term investor for investments in a subsidiary of the Group in exchange of 8.01% stake in the subsidiary share and shareholder loan.

Post the reporting period the Group performed a buy-back of its subsidiary's issued unsecured bonds, in a nominal amount of EUR 65.7m.

Geopolitical situation around Russia – Ukraine conflict

On 24 February 2022, the Russian Federation ('Russia') started moving military forces into the Ukraine, initiating a full-scale invasion. As of the date of this report, hostilities continue. In a reaction to the Russian invasion, many countries and organizations have announced sanctions against Russia, Russian companies and individuals. These sanctions have resulted in increased volatility in financial markets and commodities, in particular energy prices. The Group is not directly impacted by the conflict as it has no direct exposure to Ukraine or Russia.

By order of the Board of Directors,


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Demetrios Tsingis
Secretary

Nicosia, 19 July 2022



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Chartered Accountants
Millenium Lion House
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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Toriase Public Company Ltd (the "Company") and its subsidiaries (the "Group"), which are presented on pages 14 to 66 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

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 "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, 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.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Property	
Refer to the accounting policies note 2(e) 'use of judgments and estimates', note 3(f) 'Investment property', note 3(g) 'non-current assets held for sale', note 6 'Investment Property', and note 10 'assets and liabilities of disposal group held for sale' of the consolidated financial statements of Toriase Public Company Ltd.	
Key audit matter	How the matter was addressed in our audit
As at 31 December 2021 the Group held a portfolio of investment property with fair value of MEUR 3,587.9 (31 December 2020: MEUR 3,204.2) and investment property within assets held for sale with a fair value of MEUR 62.9 (31 December 2020: MEUR 1,009.8). The valuation of investment property is a significant judgment area and is underpinned by a number of assumptions. The fair value measurement of investment property is inherently subjective and requires valuation experts and the Group's management to use certain assumptions regarding the return of the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, assets operating expenses, the tenants financial stability, discount capitalisation rates and the implications of any expected investments for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could cause a significant change in its fair value. The group uses external valuation reports issued by external independent qualified appraisers to determine the fair value of its investment property. The significance of the balance of the investment properties which represent 67.7% of the total assets as at 31 December 2021, the estimates and judgments involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in material misstatement in the consolidated financial statements, warrants specific audit focus in this area.	Our procedures over valuation of investment properties include but are not limited to the following: • We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement by the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • Through the involvement of our own real estate specialist, on a sample basis, we evaluated the integrity, accuracy and completeness of inputs used by the external valuers, as well as appropriateness of valuation parameters used, such as discount capitalisation rates, market rents per square meter and capital expenditure, sales price per square meter and development costs; • Through the involvement of our own real estate specialist, on a sample basis, we assessed the valuation methodology applied by the external valuer and whether this was in accordance with relevant valuation and accounting standards and appropriate in the circumstances; • Through the involvement of our own real estate specialist, on a sample basis, we assessed the valuation process and significant assumptions and critical judgements areas by benchmarking the key assumptions to external industry data and comparable property transactions; • We considered the adequacy of the disclosures in the consolidated financial statements of the Group's descriptions regarding the inherent degree of subjectivity and the key assumptions in estimates.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the management report, our report in this regard is presented in the "*Report on other legal requirements*" section.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease the Group's operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriasse Public Company Ltd**

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Toriase Public Company Ltd**

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matters

Reporting responsibilities

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

These consolidated financial statements are a continuation of the consolidated financial statements of Vivion Holdings Sarl following a reverse acquisition by the Company on 23 June 2021 (note 2(a)). The comparative information presented in the consolidated financial statements of the Group for the year ended 31 December 2020 was audited by another auditor who expressed an unmodified opinion on those financial statements on 30 July 2021.

The engagement partner on the audit resulting in this independent auditors' report is Michael J. Halios.

Certified Public Accountant and Registered Auditor for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
P.O Box 40075
6300 Nicosia
Cyprus

19 July 2022

Consolidated Statement of Financial Position

		31 December 2021	31 December 2020
Assets	Note	EUR 000	
Non-current assets			
Investment property	6	3,587,888	3,204,195
Property, plant and equipment		169	111
Advance payments for investment property	6d	80,380	145,793
Loans to and Investment in equity-accounted investees	7	49,997	17,700
Loans to related parties	27	74,081	27,308
Restricted bank and other deposits		40,676	50,694
Other assets	28	59,146	15,135
Total non-current assets		3,892,337	3,460,936
Current assets			
Trade and other receivables	11	58,965	49,480
Financial assets	28	571,327	-
Other short-term assets		3,951	1,839
Cash and cash equivalents	8	803,672	257,552
		1,437,915	308,871
Assets held for sale	10	62,860	1,009,811
Total current assets		1,500,775	1,318,682
Total assets		5,393,112	4,779,618

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

Consolidated Statement of Financial Position

Continued from previous page

		31 December 2021	31 December 2020
Equity			
Issued share capital	12	846,260	591,463
Retained earnings		586,077	437,893
Other reserves		(405,836)	(449,440)
Total equity attributable to owners of the Company		1,026,501	579,916
Non-controlling interests	12	484,679	500,945
Total equity		1,511,180	1,080,861
Liabilities			
Non-current liabilities			
Bonds	14	1,325,016	980,094
Loans and borrowings	13	691,187	779,186
Convertible bond	14	175,648	168,706
Deferred tax liabilities	24	283,763	174,170
Long-term lease liabilities		79,363	74,903
Liability for sale and leaseback transaction	13(5)	64,048	-
Derivative financial liabilities	28	32,452	31,562
Tenant deposits		2,269	1,908
Loans from shareholders	15	614,993	837,437
Loans from non-controlling interests	15	527,168	502,135
Total non-current liabilities		3,795,907	3,550,101
Current liabilities			
Trade and other payables	17	26,857	44,486
Income tax payables		6,409	4,160
Other short-term liabilities	18	37,409	29,707
Current portion of loans from credit institutions	13	15,350	13,495
		86,025	91,848
Liabilities held for sale		-	56,808
Total current liabilities		86,025	148,656
Total liabilities		3,881,932	3,698,757
Total liabilities and equity		5,393,112	4,779,618

Andreas Kkailis, Director

Anna Shipilli, Director

Date of approval of the consolidated financial statements: 19 July 2022

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

Consolidated Statement of Profit or Loss

		For the year ended 2021	For the year ended 2020
	Note	EUR 000	
Revenues	20	197,931	187,172
Property revaluations and capital gains		289,179	(71,411)
Share in profit (loss) from investment in equity-accounted investees	7	19,725	(1,261)
Property operating expenses	21	(26,658)	(29,489)
General and administrative expenses	22	(17,768)	(30,763)
Operating profit		462,409	54,248
Interest expense on loans and bonds	23	(51,941)	(55,649)
Change in short-term financial instruments and derivatives	23	(26,149)	(4,440)
Other finance (expenses)/income	23	(19,157)	(5,652)
Interest expense on shareholder and non-controlling interests loans	23	(51,725)	(52,126)
Finance expenses, net		(148,972)	(117,867)
Profit before tax		313,437	(63,619)
Current tax expense	24	(24,455)	(13,531)
Deferred tax (expense) income	24	(100,021)	12,006
Profit for the year		188,961	(65,144)
Attributable to:			
Owners of the Company		148,184	(81,075)
Non-controlling interests		40,777	15,931
		188,961	(65,144)
Basic earnings per share (cent)	25	0.49	(0.27)

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

Consolidated Statement of Other Comprehensive Income

<i>Continued from previous page</i>		For the year ended 2021	For the year ended 2020
	Note	EUR 000	
Profit (loss) for the year		188,961	(65,144)
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Net change in fair value of financial assets at fair value through other comprehensive income		(21,539)	-
Foreign currency translation reserve		54,701	(40,813)
Other comprehensive income (loss)		33,162	(40,813)
Total comprehensive income (loss) for the year		222,123	(105,957)
Attributable to:			
Owners of the Company		191,788	(121,888)
Non-controlling interests		30,335	15,931
Total comprehensive income (loss) for the year		222,123	(105,957)

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

Consolidated Statement of Cash Flows

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
		EUR 000	
Cash flows from operating activities			
Profit (loss) for the year		188,961	(65,144)
<u>Adjustments to reconcile profit (loss) before tax:</u>			
Property revaluations and capital gains	6	(289,179)	71,411
Net finance expense	23	148,972	117,867
Tax expense (income)	24	124,476	1,525
Share in loss (profit) from investment in equity-accounted investees	7	(19,725)	1,261
Change in trade and other receivables		(15,679)	(7,960)
Change in trade and other payables		(11,452)	5,669
Taxes paid		(19,324)	(19,692)
Other changes		346	(623)
Net cash from operating activities		107,396	104,314
Cash flows from investing activities			
Purchase of and CapEx on investment properties ⁽¹⁾		(49,455)	(346,138) ⁽²⁾
Disposal of subsidiary, net of cash disposed of		204,581	23,714
Proceeds from disposals of investment property		38,400	-
Advances in respect of investment property		65,415	(145,793)
Proceeds from Financial Assets		135,216	-
Change in restricted bank and other deposits		10,018	(28,987)
Investment in and Loans granted to equity accounted investees		(11,714)	(4,282)
Investment in traded securities and other financial assets		(66,502)	-
Net cash used in investing activities		325,959	(501,486)

(1) Capital Expenditure in the amount of EUR 17.2 million is related to a portfolio of assets sold during the reporting period (2020: EUR 42.7 million)

(2) EUR 57 million reclassified from Capital Expenditure and Refurbishment of Investment Properties.

Continued on next page

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

Consolidated Statement of Cash Flows

Continued from previous page

	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
EUR 000			
Cash flows from financing activities			
Proceeds from capital contributions of non-controlling interest shareholders		-	97,898
Proceeds from loans and borrowing		-	140,388
Proceeds from sale-and-leaseback of freehold rights		59,439	
Repayment of loans and borrowings	16	(117,904)	(95,084)
Proceeds from issuance of bonds, net		348,151	-
Proceeds from issuance of convertible bonds		-	200,000
Proceeds (repayment) from Shareholders loans		(107,791)	65,212
Proceeds from loans from non-controlling interests		-	177,384
Payment of debt issuance costs		(1,923)	(3,859)
Interest paid		(69,360)	(57,309)
Payments relating to hedging activities		-	2,510
Net cash from financing activities		110,612	527,140
Net increase in cash and cash equivalents		543,967	129,968
Cash and cash equivalents as at the beginning of the year		257,552	128,485
Effect of exchange rate differences on cash and cash equivalents		2,153	(389)
Cash classified as held for sale		-	(512)
Cash and cash equivalents as at the end of the year		803,672	257,552

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

Consolidated Statement of Changes in Equity

Attributable to owners of the Company								
	Issued share Capital	Reverse acquisition reserve	Financial assets at fair value through other comprehensive income reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
In EUR 000								
Balance as at 1 January 2021	591,463	(437,421)	-	(12,019)	437,893	579,916	500,945	1,080,861
Total comprehensive income								
Profit for the year	-	-	-	-	148,184	148,184	40,777	188,961
Other comprehensive income (loss)	-	-	(11,097)	54,701	-	43,604	(10,442)	33,162
Total comprehensive income (loss) for the period	-	-	(11,097)	54,701	148,184	191,788	30,335	222,123
Transactions with owners, recognized directly in equity								
Issued share capital	254,797	-	-	-	-	254,797	-	254,797
Acquisition of subsidiaries	-	-	-	-	-	-	2,745	2,745
Disposal of subsidiaries	-	-	-	-	-	-	(50,635)	(50,635)
Sale of shares in subsidiaries to non-controlling interests	-	-	-	-	-	-	1,289	1,289
Balance as at 31 December 2021	846,260	(437,421)	(11,097)	42,682	586,077	1,026,501	484,679	1,511,180

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020	Attributable to owners of the Company				
	Issued share Capital	Reverse acquisition reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests
In EUR 000					
Balance as at 1 January 2020	591,463	(437,421)	28,794	518,968	393,441
				701,804	1,095,245
Total comprehensive income					
Profit (loss) for the year	-	-	-	(81,075)	15,931
Other comprehensive loss	-	-	(40,813)	-	-
				(81,075)	(65,144)
Total comprehensive income (loss) for the period	-	-	(40,813)	(81,075)	(40,813)
				(121,888)	(105,957)
Transactions with owners, recognized directly in equity					
Equity contributions	-	-	-	-	97,898
Debt/equity restructuring of non-controlling interest	-	-	-	-	(6,325)
				-	(6,325)
Balance as at 31 December 2020	591,463	(437,421)	(12,019)	437,893	500,945
				579,916	1,080,861

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

Note 1 General

(a) *Reporting entity and relationship with parent company (companies)*

Toriase Public Company Ltd (the “Company” or “Group”) is a public limited company and has its ordinary shares listed on the Emerging Companies Market of the Cyprus Stock Exchange. The Company was incorporated in Cyprus on 23 April 2018 as a limited liability Company under the Cyprus Companies Law, Cap 113. The Company registered address is 24 Peiraos, 1st floor, flat/office 101, Strovolos, 2023, Nicosia, Cyprus.

The issued and fully paid share capital of the Company as at 31 December 2021 was EUR 846,259,910 divided into 423,129,955 shares with nominal value of EUR 2 each.

The Group is a commercial real estate group, focusing on the ownership, management, improvement and selective acquisition and disposal of properties primarily in the United Kingdom and Germany.

As at 31 December 2021, the Group indirectly held 51.5% (2020: 51.5%) of the share capital of Golden Capital Partners S.A (“Golden”) and a 100% interest in Luxembourg Investment Company 210 S.à r.l. (“LIC 210”).

COVID-19

With the lifting of the lockdown restrictions and increasing pace of vaccinations, markets recovered during 2021 and 2022. Business demand and letting activity has picked up since the beginning of 2021. Vacancy rates in tier cities are still at a low level due to solid demand and undersupply which kept market rents and values stable or at a slight growth.

As of the date of the report, the Group did not identify a material impact from Covid-19. However, potential new lockdown or business restrictions may affect the recovery of the businesses the Group’s tenants operate in. This in turn could lead to loss of rental payments due to a lack of the tenant’s liquidity or other reasons. However, driven by the quality of the portfolio, the Group’s conservative debt profile and high level of cash and cash equivalents the Group expects to be able to absorb such potential losses.

(b) Definitions

In these consolidated financial statements

- (1) The Company – Toriase Public Company Ltd
- (2) The Group – The Company and its subsidiaries
- (3) Subsidiaries – Companies, including joint ventures, the financial statements of which are fully consolidated, directly or indirectly, with the consolidated financial statements of the Company.
- (4) Investee companies – Subsidiaries and companies, including a partnership or joint venture, the Company's investment in which is stated, directly or indirectly, on the equity basis
- (5) Related party – Within its meaning in IAS 24 (2009), “Related Party Disclosures”
- (6) Report Date – 31 December 2021
- (7) Reporting Period – the period started on 1 January 2021 and ended on 31 December 2021

Note 2 Basis of Preparation

(a) Reverse acquisition

During 2021, the Company acquired 100% of the issued capital of a Luxembourg real estate group (“**Lux Group**”) in a share for share transaction.

Under IFRS the acquisition constituted a reverse acquisition of the Company by Lux Group. It would normally be necessary for the Group’s consolidated financial statements to follow the legal form of the business combination, with Lux Group results consolidated into the Company’s results from the date of the completion of the transaction. In this case, the consolidated financial statements have been treated as being a continuation of the financial statements of Lux Group with the Company being treated as the acquired entity for accounting purposes.

As the consolidated group results represent the continuation of the financial statements of the legal subsidiary, the assets and liabilities of Lux Group have been recognized and measured in the consolidated financial statements at their pre-combination carrying amounts. The assets and liabilities of the Company have been recognised and measured in accordance with IFRS 3. The retained earnings and other equity balances recognised are the retained earnings and other equity balances of Lux Group immediately before the business combination. The amount of issued equity includes the issued equity interest of the Lux Group immediately before the business combination plus the fair value of the Company.

Comparative information presented in the consolidated financial statements is retroactively adjusted to reflect the legal capital of the Company.

Reverse acquisition reserve in the consolidated statement of changes in equity represents the difference in carrying value between the additional issued shares of the Company and the share capital of Lux Group on the acquisition date.

(b) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). IFRS as adopted by the EU are IFRS Standards and IFRS Interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC).

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

- Investment properties are measured at fair value;
- Financial instruments, derivatives and other assets and liabilities measured at fair value through profit or loss;
- Financial instruments measured at fair value through other comprehensive income
- Investments in associates and joint ventures
- Deferred tax assets and liabilities;
- Assets and liabilities classified as held-for-sale measured at fair value.

Notes to the Consolidated Financial Statements

(d) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(e) Use of judgements and estimates

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

Judgements

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

— *Business combinations – Note 3(a)*

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

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

— *Classification of investment property – Note 3(f)*

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

— *Financial instruments – Note 3(c)*

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

Notes to the Consolidated Financial Statements

— *Interest rate benchmark reform (“IBOR reform”)*

Economically equivalent – IBOR reform Phase 2 requires, as a practical expedient, for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to risk-free rates (RFR) takes place on a basis that is ‘economically equivalent’. To qualify as ‘economically equivalent’, the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include: changing the reference rate from an IBOR to a RFR; changing the reset days between coupons to align with the RFR; adding a fallback to automatically transition to an RFR when the IBOR ceases; and adding a fixed credit spread adjustment based on that calculated by the International Swaps and Derivatives Association (ISDA) or which is implicit in the market forward rates for the RFR.

Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Group has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position.

Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- *Valuation of investment properties – Note 3(f)*

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

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

- *Uncertain tax positions – Note 3(o)*

Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of

Notes to the Consolidated Financial Statements

business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Fair value measurement of non-trading derivatives – Note 28*

Unobservable inputs used in the valuation model. For information on a sensitivity analysis of level 3 financial instruments carried at fair value see Note 27 regarding financial instruments.

- *Assessment of expected credit losses – Note 28*

When testing financial assets for impairment, the Group assesses whether the credit risk attributable to the financial asset has increased significantly since its initial recognition, and uses forward-looking information to measure expected credit losses. Possible effect is an increase or decrease in the amount of the provision for impairment.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – Investment property;
- Note 10 – Assets and liabilities of disposal group held for sale;

Notes to the Consolidated Financial Statements

— Note 28 – Financial instruments.

(f) Financial reporting period

These consolidated financial statements cover the year 2021, which ended at the balance sheet date of 31 December 2021.

(g) Going concern

The consolidated financial statements have been prepared on a going concern basis.

(h) Change in presentation

During the reporting period the Group changed the presentation of the Consolidated statement of profit or loss to reflect more appropriately the results of the Group during the year.

This presentation did not have any effect on the profit (loss) for the year.

(i) Reclassifications

The Group reclassified EUR 4,619 thousand from Trade and other payables to Trade and other receivables as at 31 December 2020.

Note 3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and all of its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if it has:

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

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

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights

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

Notes to the Consolidated Financial Statements

Profit or loss of each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(i) *Business combinations*

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

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

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

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

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

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

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

All the Group’s companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the

Notes to the Consolidated Financial Statements

policies adopted by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, except where there are indications of impairment.

(iii) *Non-controlling interests*

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

(iv) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) *Transactions eliminated on consolidation*

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

(vi) *Acquisitions of a property company*

Where property is acquired, via corporate acquisitions or other, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgment is set out in Note 2.

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

In the latter case, no goodwill is recognized and no deferred taxes are recognized in respect of the temporary differences existing on the acquisition date.

(vii) *Investments in associated and equity-accounted investees and joint ventures*

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

The results and assets and liabilities of associated and equity-accounted investees are incorporated in these consolidated financial statements, using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income

Notes to the Consolidated Financial Statements

statement and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

(b) Foreign currency

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

(i) Foreign currency transactions

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

Differences arising on settlement or translation of monetary items are recognized in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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

Notes to the Consolidated Financial Statements

(ii) *Foreign operations*

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

(c) **Financial instruments**

(i) *Recognition and initial measurement*

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

(ii) *Classification and subsequent measurement*

Financial assets

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

Assessment of the business model for debt assets

The Group assesses the objective of the business model within which the financial asset is held on the level of the portfolio, since this best reflects the manner by which the business is managed and information is provided to management. The following considerations are taken into account in the assessment of the Group's business model:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets within the model is evaluated and reported to the entity's key management people;

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- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for the sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for purposes of assessment of the business model, consistent with the Group's continuing recognition of those financial assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

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

Investments in associates and joint ventures

An investment in an associate and joint venture is tested for impairment when objective evidence indicates there has been impairment.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognized separately, and therefore is not tested for impairment separately.

If objective evidence indicates that the value of the investment may have been impaired, the Group estimates the recoverable amount of the investment, which is the greater of its value in use and its net selling price. In assessing value in use of an investment in an associate or joint venture, the Group either estimates its share of the present value of estimated future cash flows that are expected to be generated by the associate or joint venture, including cash flows from operations of the associate or joint venture and the consideration from the final disposal of the investment, or estimates the present value of the estimated future cash flows that are expected to be derived from dividends that will be received and from the final disposal.

An impairment loss is recognized when the carrying amount of the investment, after applying the equity method, exceeds its recoverable amount, and it is recognized in profit or loss under other expenses. An impairment loss is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate or in the joint venture.

An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the investment after the impairment loss was recognized, and only to the extent that the investment's carrying amount, after the reversal of the impairment loss, does not exceed the carrying amount of the investment that would have been determined by the equity method if no impairment loss had been recognized.

Derivative financial instruments

Initial recognition and subsequent measurement

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

(iii) *Derecognition*

Financial assets

Financial asset is primarily de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

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

The difference between the carrying amount of the extinguished financial liability and the consideration paid (including any non-cash assets transferred or assumed liabilities), is recognized in profit or loss. In

the case of an immaterial change in terms (or exchange of debt instruments), the new cash flows are discounted at the original effective interest rate, with the difference between the present value of the financial liability with the new terms and the present value of the original financial liability being recognized in profit or loss.

(d) **Share capital**

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

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(e) Impairment**(i) Non-derivative financial assets*****Financial assets***

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt investments carried at FVOCI the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Debt investment and other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group considers a credit institution to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's. The impairment charge for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI. ***Non-financial assets***

Timing of impairment testing

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

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Measurement of recoverable amount

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

Recognition of impairment loss

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

(f) Investment property

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

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

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

Subsequent to initial recognition, investment property is measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

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

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

(g) Non-current assets held for sale

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

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

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(h) Borrowing costs

The Company decided to apply a policy choice of capitalizing borrowing costs to investment property measured at fair value. Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred.

(i) Derivative financial instruments

Initial recognition and subsequent measurement

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

(j) Cash and cash equivalents

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

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

(k) Restricted bank deposits

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

(l) Leases

Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as services or maintenance, that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

Leased assets and lease liabilities

Contracts that award the Group control over the use of a leased asset for a period of time in exchange for consideration, are accounted for as leases. Upon initial recognition, the Group

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recognizes a liability at the present value of the balance of future lease payments (these payments do not include certain variable lease payments), and concurrently recognizes a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease.

Since the interest rate implicit in the Group's leases is not readily determinable, the incremental borrowing rate of the lessee is used. Subsequent to initial recognition, the right-of-use asset is accounted for using the cost model, and depreciated over the shorter of the lease term or useful life of the asset.

The Group has elected to apply the practical expedient by which short-term leases of up to one year and/or leases in which the underlying asset has a low value, are accounted for such that lease payments are recognized in profit or loss on a straight-line basis, over the lease term, without recognizing an asset and/or liability in the statement of financial position.

The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the lessee will or will not exercise the option, respectively.

Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted against the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs.

Reassessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances that is under the control of the Group and had an effect on the decision whether it is reasonably certain that the Group will exercise an option, which was not included before in the lease term, or will not exercise an option, which was previously included in the lease term, the Group re-measures the lease liability according to the revised leased payments using a new discount rate. The change in the carrying amount of the liability is recognized against the right-of-use asset, or recognized in profit or loss if the carrying amount of the right-of-use asset was reduced to zero.

When a lease modification increases the scope of the lease by adding a right to use one or more underlying assets, and the consideration for the lease increased by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Group recognizes a decrease in the carrying amount of the right-of-use asset in order to reflect the partial or full cancellation of the lease, and recognizes in profit or loss a profit (or loss) that equals the difference between the decrease in the right-of-use asset and re-measurement of the lease liability.

For other lease modifications, the Group re-measures the lease liability against the right-of-use asset.

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Subleases

In leases where the Group subleases the underlying asset, the Group examines whether the sublease is a finance lease or operating lease with respect to the right-of-use received from the head lease. The Group examined the subleases existing on the date of initial application based on the remaining contractual terms at that date.

Sale and leaseback

The Group applies the requirements of IFRS 15 to determine whether an asset transfer is accounted for as a sale. If an asset transfer satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount that relates to the right of use retained by the Group. Accordingly, the Group only recognizes the amount of gain or loss that relates to the rights transferred.

If the asset transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, the transaction is accounted for as a financing transaction. Insofar as the Group is the seller-lessee of the asset, it continues to recognize the transferred asset and recognizes a financial liability in accordance with IFRS 9, at an amount equal to the transferred proceeds. Conversely, if the Group is the buyer-lessor of the asset, it recognizes a financial asset in accordance with IFRS 9 at an amount equal to the consideration transferred.

Assets leased out by the Group

Leases in which the Group leases out assets are classified as operating or finance leases. Classification of the lease as a finance or operating lease depends on the substance of the transaction and is performed at the beginning of the lease and reassessed only in the event of a lease modification. Changes in estimates such as the length of the asset's economic life or the residual value, or changes in circumstances, do not trigger reclassification of the lease.

When an arrangement includes lease components and non-lease components, the Group applies IFRS 15 for allocating the contract consideration to its various components.

a. Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At initial recognition, assets held under a finance lease are presented as receivables at an amount equal to the net investment in the lease. The present value of the lease payments is calculated using the discount rate implicit in the lease. When the Group leases out assets in a sublease, if the discount rate implicit in the sublease cannot be readily determined, the Group uses the discount rate of the head lease, adjusted for initial direct costs related to the sublease.

Initial direct costs are included in the initial measurement of the receivables and reduce the amount of revenue recognized over the lease term.

On the initial date of the lease, the lease payments included in the measurement of the net investment in the lease include fixed payments less any lease incentives payable, variable lease payments that depend on an index or rate, any residual value guarantees provided to the lessor, the exercise price of a purchase option if it is reasonably certain that the lessee will exercise the option and lease termination penalties.

In subsequent periods, the Group recognizes financing income over the lease term. Furthermore, the Group allocates the lease payments against the balance of finance lease receivables and against financing income for the period.

The Group applies the derecognition and impairment requirements of IFRS 9 with respect to the balance of lease receivables. In addition, the Group reviews the estimates of unguaranteed residual

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values. In the case of a decrease in the estimate of the unguaranteed residual value, the Group adjusts the allocation of income over the lease term and immediately recognizes a decrease with respect to accumulated amounts.

b. Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases.

The Group recognizes operating lease payments as revenue on a straight-line basis over the lease term.

Initial direct costs incurred to obtain operating leases are added to the carrying amount of the underlying asset, and recognized as an expense over the lease term on the same basis as the revenue from the lease.

(m) Rent receivables

Rent receivables are recognized at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies par. (c).

(n) Revenue recognition

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Identifying the contract

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

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

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

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

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Combination of contracts

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

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

Identifying performance obligations

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

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

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

The Group's key sources of income include:

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

The accounting for each of these elements is discussed below.

(i) Rental income

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

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

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

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(ii) Revenue from services to tenants

The Group enters as a lessor into lease agreements that include ancillary services provided to tenants by the Group or by other parties acting on its behalf, and other charges billed to tenants, for which the Group is entitled to payments. Services include common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g. reception services, catering and other event related services). These services are specified in the lease agreements and are separately invoiced.

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

The revenue from service charges is recognized over time as services are rendered.

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

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

(iii) Revenue from hotel operations

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

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

(o) Taxation

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

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

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

(i) Current income tax

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

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

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

(ii) *Deferred tax*

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

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

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

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

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

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

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

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

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

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

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Note 4 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements. The nature and effect of the changes are explained below.

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

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

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

The Amendments are applied retrospectively as from January 1, 2021 by amending the opening balance of equity for the annual reporting period in which the amendment was adopted without a restatement of comparative data. Restatement of comparative data is allowed if this can be done without using “hindsight”. Application of the Amendment did not have a material effect on the Group’s financial statements.

Note 5 Standards issued but not yet effective

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

Amendment to IAS 1, *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current*

The Amendment replaces certain requirements for classifying liabilities as current or non-current. Thus for example, according to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it “has substance” and is in existence at the end of the reporting period, this instead of the requirement that there be an “unconditional” right. According to the Amendment, a right is in existence at the reporting date only if the entity complies with conditions for deferring settlement at that date. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity.

The Amendment is effective for reporting periods beginning on or after January 1, 2024 with earlier application being permitted. The Amendment is applicable retrospectively, including an amendment to comparative data. The Group assessed the possible impact to be immaterial.

Notes to the Consolidated Financial Statements

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

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

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

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

Amendment to IFRS 3, *Business Combinations*

The Amendment replaces the requirement to recognize liabilities from business combinations in accordance with the conceptual framework, the reason being that the interaction between those instructions and the guidance provided in IAS 37 regarding recognition of liabilities was unclear in certain cases.

The Amendment adds an exception to the principle for recognizing liabilities in IFRS 3. According to the exception, contingent liabilities are to be recognized according to the requirements of IAS 37 and IFRIC 21 and not according to the conceptual framework. The Amendment prevents differences in the timing of recognizing liabilities that could have led to the recognition of gains and losses immediately after the business combination (day 2 gain or loss). The Amendment also clarifies that contingent assets are not to be recognized on the date of the business combination.

The Amendment is effective for annual periods beginning on or after January 1, 2022. The Group assessed the possible impact to be immaterial.

Amendment to IAS 12, *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Amendment narrows the scope of the exemption from recognizing deferred taxes as a result of temporary differences created at the initial recognition of assets and/or liabilities, so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

As a result, companies will need to recognize a deferred tax asset or a deferred tax liability for these temporary differences at the initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for decommissioning and restoration.

The Amendment is effective for annual periods beginning on or after January 1, 2023, by amending the opening balance of the retained earnings or adjusting a different component of equity in the period the Amendment was first adopted. The Group assessed the possible impact to be immaterial.

Notes to the Consolidated Financial Statements

Note 6 Investment Property

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

	Germany				United Kingdom	Totals
	Office	Hotels	Other	Subtotal	Hotels	
	EUR 000					
Balance as at 1 January 2021 (incl. held for sale assets)	2,071,407	146,959	93,338	2,311,704	1,892,993	4,204,697
Acquisitions of investment property and investment in capex during the year	39,907	434	6,894	47,235	7,494	54,729
Fair value adjustments	81,042	7,258	17,173	105,473	158,862	264,335
Foreign currency revaluation effect	-	-	-	-	143,791	143,791
Disposal of subsidiaries	(951,450)	-	(32,152)	(983,602)	(31,451)	(1,015,053)
Other adjustments	3,189	3,708	64	6,961	(8,712)	(1,751)
Total	1,244,095	158,359	85,317	1,487,771	2,162,977	3,650,748
Less: classified as held for sale	(56,600)	-	(6,260)	(62,860)	-	(62,860)
At 31 December 2021	1,187,495	158,359	79,057	1,424,911	2,162,977	3,587,888

The investment property table for Germany contains non-material properties in other EU jurisdictions.

	Germany				United Kingdom	Totals
	Office	Hotels	Other	Subtotal	Hotels	
	EUR 000					
Balance as at 1 January 2020 (incl. held for sale assets)	1,931,404	153,023	133,984	2,218,411	1,787,234	4,005,645
Acquisitions of investment property and investment in capex during the year	70,136	4,308	7,336	81,780	354,069	435,849
Fair value adjustments	50,966	(12,298)	(5,344)	33,324	(133,540)	(100,216)
Foreign currency revaluation effect	-	-	-	-	(114,065)	(114,065)
Disposal of subsidiaries	-	-	(42,991)	(42,991)	-	(42,991)
Other adjustments	18,901	1,926	353	21,180	(705)	20,475
Total	2,071,407	146,959	93,338	2,311,704	1,892,993	4,204,697
Less: classified as held for sale	(963,050)	-	(37,452)	(1,000,502)	-	(1,000,502)
At 31 December 2020	1,108,357	146,959	55,886	1,311,202	1,892,993	3,204,195

B. Measurement of fair value

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

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

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

Notes to the Consolidated Financial Statements

Fair value hierarchy

The Group's investment property has been categorized as Level 3 Fair Value (as described in Note 28.2) based on the input to the valuation technique used and was determined considering the highest and best use measurement approach according to IFRS 13.

There were no transfers between levels 1, 2 or 3 during 2021.

Key parameters used in the valuation

As at 31 December 2021 investment properties have been valued using the discounted cash flow (DCF) method and the residual value approach. The key assumptions and parameters used to determine the fair value of the investment properties under the DCF method are further presented below:

Valuation technique	Key unobservable inputs	2021 Weighted average	2020 Weighted average
<i>UK portfolio</i>			
DCF method	Discount rate	7.85%	7.75%
	Terminal cap rate	6.25%	6.13%
<i>German portfolio</i>			
DCF method	Value per square meter	EUR 3,227	EUR 2,932
	Market rent per square meter	EUR 13.27	EUR 12.86
	Discount rate	3.76%	4.16%
	Terminal cap rate	4.59%	4.83%

Table excludes held-for-sale assets.

Sensitivity analysis

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

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

Valuation parameter	Change in Parameter	Change in value 2021		Change in value 2020	
		EUR 000	%	EUR 000	%
<i>UK portfolio</i>					
Discount rate	(0.25%)	38,523	1.88%	31,300	1.91%
Capitalization rate	(0.25%)	51,174	2.49%	42,700	2.60%
<i>German portfolio</i>					
Discount rate	(0.25%)	25,847	2.18%	25,301	2.13%
Capitalization rate	(0.25%)	53,904	4.54%	49,845	4.19%

Table excludes held-for-sale assets.

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

Notes to the Consolidated Financial Statements

C. Disposals

1. On 31 December 2020 a subsidiary of the Group has engaged with a third party in a contract for the sale of a group of Subsidiaries holding an asset complex in the center of Berlin through a share deal. The completion of the transaction occurred in June 2021. The consideration for the sale of the shares was settled in cash and financial instruments (see also Note 9 and Note 28).
2. During the reporting period the Group sold 2 hotels from its UK portfolio to third parties for a total consideration of GBP 24.3 million (EUR 29 million).
3. During the reporting period the Group sold 3 properties from its German portfolio to third parties for a total consideration of EUR 38.4 million).

D. Uncompleted transactions that are not business combination

The Group has engaged with third parties to obtain the exclusive right to due diligence potential portfolio acquisitions in off-market transactions, for which the company made refundable advance payments. As of 31 December 2021, the advance payment balance was EUR 80.4 million, out of which EUR 8.5 million was paid for a transaction completed after the reporting date, see note 29. The down payments were made for the proposed purchase of multiple office properties mainly in Germany. The advances are refundable if the Company decides not to finalize the acquisitions.

Note 7 Investments in and loans to equity-accounted investees

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

	2021	2020
	EUR 000	
As at 1 January	17,700	13,890
Additions and accrued interest	12,572	5,071
Share in profit/(loss) from investment in equity-accounted investees	19,725	(1,261)
At 31 December	49,997	17,700

The balance as at 31 December 2021 reflects joint-venture investments, where, in addition to its equity investment, the Group contributed loans in amount of EUR 21.8 million (31 December 2020: EUR 15.8 million).

Note 8 Cash and cash equivalents

	2021	2020
	EUR 000	
Cash at bank	803,672	257,552
Total	803,672	257,552

Note 9 Loss of control in subsidiaries

During the reporting period the Group completed several sales of Subsidiaries (see also Note 6.C) to third parties. As a result of the sales, the Group has no interest left in these subsidiaries.

Notes to the Consolidated Financial Statements

Two of these subsidiaries were already recognized under Assets and Liabilities of disposal groups classified as held-for-sale, as at 31 December 2020.

Identifiable assets and liabilities sold (on fully consolidated basis):

	EUR thousands
Assets of disposal groups classified as held-for-sale	965,970
Liabilities of disposal groups classified as held-for-sale	(58,116)
Total net identifiable assets	907,854

The Group also de-recognized Non-Controlling Interest of EUR 50.6 million.

Note 10 Assets and liabilities of disposal group held for sale

The Company expects to sell non-core properties being held by subsidiaries of the Group within the next 12 months. The Group has initiated selling activities and is in negotiations with potential buyers. As at 31 December 2021 the Company classified the investment properties with fair value (on fully consolidated basis) of EUR 62.9 million as Assets Held for Sale.

Note 11 Trade and Other Receivables

	31 December 2021	31 December 2020
	EUR 000	
Rent and service charge receivables	22,570	11,462
<i>Less: provisions for impairment (Note 28)</i>	<i>(7,012)</i>	<i>(3,289)</i>
	15,558	8,173
Receivables from related parties (Note 27)	22,536	18,903
Receivables in relation to transactions	6,763	14,739
Tax and VAT refundable	8,988	4,592
Other receivables	5,120	3,073
Total	58,965	49,480

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

Refer to **Note 28 Financial Instruments** for further detail on credit risk.

Note 12 Share Capital and Non-controlling interest**A. Share capital**

On 1 January 2021, the issued and fully paid share capital of the Company was 13,000 ordinary shares of EUR 2 each with a nominal value of EUR 26,000.

During the year the Company issued 423,116,955 new ordinary shares of EUR 2 each with a nominal value of EUR 846,233,910.

As at 31 December 2021 the issued and fully paid share capital of the Company consists of 423,129,955 ordinary shares of EUR 2 each with a nominal value of EUR 846,259,910.

The authorized share capital of the Company consists of 500,000,000 ordinary shares of EUR 2 each with a nominal value of EUR 1,000,000,000.

Notes to the Consolidated Financial Statements

B. Non-controlling interests

As at 31 December 2021 the non-controlling interests amounted to EUR 484.7 million (31 December 2020: EUR 500.9 million). The total comprehensive income for the year attributed to the non-controlling interests amounted to EUR 30.3 million (2020: EUR 15.9 million).

The non-controlling interest comprises of third-party institutional investors mainly holding a 48.5% in the Company's subsidiary Golden Capital Partners S.A.. Golden Capital Partners S.A. has ownership of the properties located in Germany as disclosed in note 6 and note 26, respectively.

Note 13 Loans and Borrowings

	Weighted average interest rate loans	Maturity	31 December 2021	31 December 2020
EUR 000				
EUR Loans from credit institutions (1,3)	1,81%	2024- 2027	367,943	374,228
GBP Loans from credit institutions (2,3,4)	3M Libor + 3,19%	2023	323,244	404,958
Total non-current interest bearing loans and borrowings			691,187	779,186
Current maturities of loans and borrowings			15,350	13,495
		Total	706,537	792,681

- (1) As part of the bank loans received by the Group, the Group companies have undertaken to maintain certain financial ratios, inter-alia, LTV ratios, debt service coverage ratio, interest coverage ratios, NOI Debt Yield minimum and loan to annual rent ratio. As at 31 December 2021, the Group is fully compliant with all covenant requirements on all EUR denominated loans.
- (2) The Group obtained a covenant waiver for certain loan facilities in the UK from the Lenders, the waiver being subject to certain conditions imposed to protect the Issuer's position. The closure of hotels during the lockdown in the UK has impacted the operational metrics used for covenant testing purposes but has not impacted rental income due to the Group, which continued to be materially paid. The waiver was granted in connection with COVID-19 and the resulting temporary closure of certain of the hotels, to enable the Group to manage its business without breaching any obligations under the loan agreement. The covenant waiver was for a period up to but excluding the interest payment date falling on 13 July 2021. On 10 April 2021 the Group obtained an extension for the covenant waiver for a period up to but excluding the interest payment date falling on 13 July 2022.
- (3) To secure bank loans and borrowings the Group pledged properties whose total fair value at the Report Date amounts to EUR 2,073.6 million (2020: EUR 1,843.5 million).
- (4) During the reporting period the Group made EUR 117.9 million repayments of its loans and borrowings, out of which GBP 93 million (EUR 109 million) repayment of its loan facility in UK.
- (5) On 31 December 2020 a subsidiary of the Group entered into a sale and lease back agreement for one of its hotels' freehold rights in London. The underlying lease is for 200 years with a buy back option at the end of the lease for 1 pound and a lease payment of GBP 1.2 million per annum. The transaction was completed on 2 February 2021. Total net proceeds from the transaction amount to GBP 52 million (EUR 59 million) after depositing the first two years of rent (gross proceeds of GBP 54.3 million).

Notes to the Consolidated Financial Statements

Note 14 Senior Unsecured Bonds

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

Senior Unsecured Bonds	Currency	Nominal amount (in thousand)	Coupon rate (p.a., %)	Issue price (%)	Issuance - maturity	31 December 2021	31 December 2020
Bond I	EUR	700.000	3,00%	100,00	08/2019 - 08/2024	690,555	687,226
Bond II (1)	EUR	640.000	3,50%	98,68	10/2019 - 10/2025	634,461	292,868
Convertible Bond (2) (3)	EUR	200.000	2,25%	100,00	08/2020 - 08/2025	175,648	168,706
Total Senior Unsecured Bonds						1,500,664	1,148,800
Total accrued interest on Senior Unsecured Bonds						13,677	11,876

(1) In July 2021 the Group tapped its original EUR 300 million 2025 Senior Notes by placing an additional EUR 340 million. The New 2025 Notes have the same terms and conditions as the existing 2025 Notes and will form a single consolidated series with the existing 2025 Notes. Following settlement, the aggregate nominal amount of the 2025 Notes in issue increased to EUR 640 million.

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

- Conversion feature in case of an Initial Public Offering ('IPO') of the Subsidiary;
- Certain redemption options by the Subsidiary.

(3) As at 31 December 2021 the fair value of the embedded derivative component of these convertible bonds features is EUR 32.7 million, which is presented as part of the Derivative Financial Liabilities.

Note 15 Loans from Shareholders and Non-Controlling Interests

	31 December 2021	31 December 2020
	EUR 000	
Loans and accrued interest from Shareholders (1) (2) (5)	614,993	837,437
Loans from non-controlling interests - Golden (3) (4) (5)	527,168	502,135
Total	1,142,161	1,339,572

- (1) The loans bear an annual interest rate of 5.15%, payable in the 10th anniversary year (2028 and 2031). In addition, the Company at its sole discretion, have the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. The Company may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own Ordinary shares according to a fixed to variable conversion price which reflects the Company's value based on external valuation report as of the date of conversion.
- (2) The loans bear 5.50% annual interest rate, payable in the 10th anniversary year (2028-2031). In addition, the Company at its sole discretion, have the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. The Company may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own Ordinary shares according to a fixed to variable conversion price which reflects the Company's value based on external valuation report as of the date of conversion.

Notes to the Consolidated Financial Statements

- (3) As part of the share subscription agreements with non-controlling interest shareholders in Golden, which hold 48.5% of Golden shares, the non-controlling interest shareholders provided loans to Golden (the "Investors' Loans"). As at 31 December 2021 the loans have a principal value of EUR 511 million and bear 5.25% annual interest rate, payable in the 10th anniversary year (2028- 2030). In addition, Golden at its sole discretion, have the right to prepay the loan at any time subject to 3 days' notice, or to extend the loan term by additional five years. It was also agreed that Golden may, occasionally at its sole discretion, subject to 7 days' notice, convert the loan into its own ordinary shares according to a conversion price which reflects Golden's share capital value based on external valuation report as of the date of conversion. The shareholder loan provided from Vivion to Golden holds the same terms and conditions as the loans provided by the Investors to Golden.
- (4) Any prepayment or conversion of the Investors' Loans may be executed only on a pro rata basis according to each shareholder stake in Golden.
- (5) Loans from shareholders and non-controlling interests are unsecured and subordinated to the other Group debt to third parties. Reconciliation of movement of liabilities to cash flow arising from financing activities

Note 16 Reconciliation of movement of liabilities to cash flow arising from financing activities

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

	Loans and borrowings	Bonds	Convertible bond (*)
Balance as at 1 January 2021	792,681	980,094	168,706
Acquisitions of subsidiaries, net	3,620	-	-
Additions	-	340,348	-
Repayments	(117,904)	-	-
Amortization of debt issuance costs	1,477	4,716	552
Non-cash changes	-	-	6,143
Foreign exchange effect	25,811	-	-
Other charges	852	(142)	247
Balance as at 31 December 2021	706,537	1,325,016	175,648

(*) amounts of Convertible bonds exclude the derivative part, see Note 28.1

Notes to the Consolidated Financial Statements

Note 17 Trade and other payables

	31 December 2021	31 December 2020
	EUR 000	
Trade payables	14,514	17,429
Payables to related parties (Note 27)	4,608	18,183
VAT payables	3,628	5,100
Other accrued expenses	4,107	3,774
Total	26,857	44,486

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

Note 18 Other short-term liabilities

	31 December 2021	31 December 2020
	EUR 000	
Accrued interest on bank loans and bonds	21,267	14,547
Deferred income	16,142	15,160
Total	37,409	29,707

Note 19 Contingent liabilities and commitments

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

Note 20 Revenues

	31 December 2021	31 December 2020
	EUR 000	
Net rental income	171,903	163,611
Service charge income	16,966	16,439
Hotel income	9,062	7,122
Total	197,931	187,172

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

Notes to the Consolidated Financial Statements

Note 21 Property operating expenses

	31 December 2021	31 December 2020
	EUR 000	
Cost of hotel operations	5,974	6,377
Other property operating expenses	5,692	5,651
Service charge expenses	14,992	17,461
Total	26,658	29,489

Note 22 General and administrative expenses

	31 December 2021	31 December 2020
	EUR 000	
Legal and professional fees	7,789	9,321
Impairment on rent and other receivables	4,273	2,533
Asset management fees	1,212	1,599
Audit fees	1,533	1,410
Acquisition costs	-	6,984
Other general and administrative expenses	2,961	8,916
Total general and administrative expenses	17,768	30,763

Note 23 Finance expenses

	31 December 2021	31 December 2020
	EUR 000	
Interest expense on loans	26,823	22,785
Interest expense on bonds	42,463	33,815
Total interest expenses on third parties	69,286	56,600
Interest income from third parties	(17,345)	(951)
Total net interest expenses on third parties	51,941	55,649
Interest expense on Shareholders loans (1)	30,972	44,814
Interest expense on loans from Non-Controlling Interest (1)	24,367	23,622
<i>Less: borrowing cost capitalization</i>	(3,614)	(16,310)
Total net interest expenses, net	103,666	107,775
Lease financing expenses per IFRS 16	4,415	4,276
Amortization of finance fees	7,095	6,423
Other	7,647	(5,047)
Other finance expense	19,157	5,652
Change in short-term financial instruments and derivatives	26,149	4,440

Notes to the Consolidated Financial Statements

- (1) The interest expenses on the Shareholders loans and on the Non-Controlling interest loans are only payable in the 10th anniversary year of the loan. See also Note 15.

Note 24 Income tax

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

(1) United Kingdom

The UK subsidiaries are subject to taxation under the laws of the United Kingdom. The corporation tax rate for UK companies in 2021 is 19%.

On 24 May 2021, the report stage and third reading of the UK Finance Bill 2021 in the House of Commons took place and the final government amendments were passed. The amendments include an increase in the corporation tax rate from 19% to 25% on profits over GBP 250 thousand starting from 1 April 2023. The Group recognized GBP 31 million (EUR 39 million) of deferred tax expense during the Reporting Period relating to this increase in tax rate.

(2) Germany

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15% for 31 December 2021, plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregate tax rate: 15.825%).

On 7 May 2021, the Federal Council approved a new amendment to the German Real Estate Transfer Tax ("RETT") Act. The reform, among other things, introduces an entirely new provision for corporations which stipulates that the transfer of 90% of the shares in a corporation to new shareholders within a period of 10 years triggers RETT. The new law is applied as of 1 July 2021, without having a retroactive effect, however, transactions prior to the date of effectiveness may nevertheless be relevant. The Group analyzed the new law, and concluded that in the current structure of the company there is no material effect.

(3) Luxembourg

The Company and part of its subsidiaries are subject to taxation under the laws of Luxembourg. The corporation tax rate applicable in 2021 for Luxembourgish companies is 24.94%.

(4) Cyprus

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

Notes to the Consolidated Financial Statements

Composition of income tax expense (income)

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

	31 December 2021	31 December 2020
	EUR 000	
Current tax expense		
Current year	20,237	13,885
Adjustments for prior years, net	4,218	(354)
	24,455	13,531
Deferred tax expense / (income)		
Origination and reversal of temporary differences ⁽¹⁾	100,021	(12,006)
Income tax expense / (income)	124,476	1,525

(1) During the reporting period the Group recognized EUR 39 million tax expenses in respect of change in tax rate (2020: EUR 14.6 million).

Reconciliation of tax expense and the accounting profit multiplied by Cyprus' tax rate for the year ended 31 December 2021 and the Luxembourg's tax rate for the year ended 31 December 2020 is as follows:

	31 December 2021	31 December 2020
	EUR 000	
Statutory income tax rate (Cyprus / Luxembourg)	12,50%	24,94%
Profit / (loss) before taxes	313,437	(63,619)
Tax expenses (income) using the Company's domestic tax rate	39,180	(15,867)
Income not taxable for tax purposes	(1,527)	(5,129)
Non-deductible expenses	1,690	5,020
Effect of tax rates in foreign jurisdictions	26,279	(43)
Deferred tax assets not recognized for tax losses and other timing differences	16,700	11,544
Effect of changes in enacted tax rates	39,042	14,650
Adjustments for prior years	3,347	(7,741)
Other differences, net	(235)	(909)
Income tax reported in the statement of profit or loss	124,476	1,525

The Luxembourg's tax rate was used for the year ended 31 December 2020 since the consolidated financial statements of the Company have been treated as being a continuation of the financial statements of the Lux Group after the reverse acquisition (Note 2(a)).

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

	31 December 2021	31 December 2020
	EUR 000	
Deferred tax liabilities	283,763	174,170
Total deferred income tax liability	283,763	174,170

Notes to the Consolidated Financial Statements

The deferred tax liability arises from the following components:

	31 December 2021	31 December 2020
	EUR 000	
Per beginning period	174,170	169,872
Revaluations of investment property to fair value	61,000	(17,890)
Acquired through business combination	-	23,509
Derecognition due to disposal of subsidiary	(206)	(9,520)
Impact due to changed deferred tax rate	39,042	14,650
Foreign exchange differences	8,122	(7,152)
Other	1,635	701
Total	283,763	174,170

Note 25 Earnings per share

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021	2020
	EUR 000	
Profit (loss) attributable to ordinary shareholders	148,184	(81,075)
Weighted average number of ordinary shares	301,671	295,731
Basic EPS attributable to ordinary shareholders		
- cent	0.49	(0.27)

Diluted EPS is the same as basic EPS.

Note 26 Operating Segments

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

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

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

Commercial properties in Germany include predominately office asset class (86% of the total fair value of the German portfolio as at 31 December 2021). The other asset class in Germany include hotels, residential and retail investment property. None of these segments meets any of the quantitative thresholds for determining reportable segments during the Reporting period.

The accounting policies of the operating segments are the same as described in Note 3 regarding significant accounting policies presented above. Performance is measured based on segment operating profit as included in reports that are regularly reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the segments' results. Segment results reported to the CODM including items directly attributable to a segment on a reasonable basis. Financial expenses, financial income and

Notes to the Consolidated Financial Statements

taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities. Segment assets comprise mainly investment property, cash and equivalents and operating receivables whereas segment liabilities comprise mainly borrowings and operating payables.

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

	United Kingdom	Germany	Total Consolidated
Year ended 31 December 2021		EUR 000	
Revenues	126,643	71,288	197,931
Property revaluations and capital gains	157,203	131,976	289,179
Property operating expenses	(9,042)	(17,616)	(26,658)
General and administrative expenses	(6,112)	(11,656)	(17,768)
Reportable segment operating profit	268,692	173,992	442,684
Share in profit from investment in equity-accounted investees			19,725
Net finance expenses			(148,972)
Profit before tax	268,692	173,992	313,437

	United Kingdom	Germany	Total Consolidated
Year ended 31 December 2020		EUR 000	
Revenues	119,766	67,406	187,172
Property revaluations and capital gains	(105,289)	33,878	(71,411)
Property operating expenses	(8,419)	(21,070)	(29,489)
General and administrative expenses	(13,507)	(17,256)	(30,763)
Reportable segment operating profit	(7,449)	62,958	55,509
Share in loss from investment in equity-accounted investees			(1,261)
Net finance expenses			(117,867)
Loss before tax	(7,449)	62,958	(63,619)

Note 27 Related party disclosures

The parent of the Company is Dorota Limited, a company incorporated in Cyprus. The ultimate parent of the Company is Turanco Investment Limited, a company incorporated in Cyprus.

The Group's investment in significant subsidiaries are listed in the following table:

			31 December	
			2021	2020
Subsidiary	Country of incorporation	Principal activities	% equity interest	
<i>Subsidiaries held directly and indirectly by the Company</i>				
Vivion Investments S.à r.l.	Luxembourg	Holding	100.0%	100.0%
Lux Investment Company 210 S.à r.l.	Luxembourg	Financing	100.0%	100.0%
Ribbon HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
UK Investment Company 211 Mezz HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
Zinc Hotels HoldCo Limited	United Kingdom	Holdings	100.0%	100.0%
Vivion Capital Partners S.A.	Luxembourg	Financing	100.0%	100.0%
Golden Capital Partners S.A.	Luxembourg	Holdings	51.5%	51.5%

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

	31 December 2021	31 December 2020
Consolidated statement of financial position	EUR 000	
Receivables from related parties (3)	22,536	18,903
Loans to related parties (1)	74,081	27,308
Loans to equity-accounted investee (2)	21,841	15,755
	118,458	61,966
Payables to related parties (3)	4,608	18,183
Loans from Shareholders	614,993	837,437
	619,601	855,620

- (1) Loans to related parties bear weighted average interest rate of 5.2%.
 (2) Loans to equity-accounted investee bear weighted average interest of 6.1% and are repayable within 2023 to 2026.
 (3) Receivables and payables from/to related parties relate to the operations/activities of the Group.

	For the year ended 31 December 2021	For the year ended 31 December 2020
Consolidated statement of profit or loss	EUR 000	
Rental and service charges income	98,315	88,143
Interest income on loans to related parties	5,911	4,491
Services and management fee charges	(6,887)	(3,508)
Interest on loans from related parties	(36,882)	(48,548)

The Group is engaged with affiliated companies to the ultimate beneficial owner of the Company for providing services to the Group companies. These services include General Management, Asset Management, Property Management, Project Management and Facility Management, which are being charged for as rates of the rental income and/or Gross operating profit of the respective property company.

The Directors' remuneration for the year 2021 was amounted to Euro 10,500.

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Note 28 Financial instruments and risk management

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

28.1 Composition of financial instruments

Below is an overview of the financial assets and liabilities, held by the Group as at 31 December 2021 and 31 December 2020:

Financial assets

	31 December 2021	31 December 2020
	EUR 000	
Financial assets at amortized cost		
Cash and cash equivalents	803,672	257,552
Financial assets at amortized cost (1)	336,870	-
Trade and other receivables	58,965	49,480
Other financial assets	59,146	15,135
Restricted bank and other deposits	40,676	50,694
Loans to related parties	74,081	27,308
Loans to equity-accounted investees	21,841	15,755
Financial assets at fair value		
Financial assets at fair value through profit and loss (2) (3)	95,857	-
Financial assets at fair value through other comprehensive income – debt instruments (2)	138,600	-
Total	1,629,708	415,924

Financial liabilities

	31 December 2021	31 December 2020
	EUR 000	
Financial liabilities at amortized cost		
Bonds	1,325,016	980,094
Loans and borrowings (incl. current portion)	706,537	792,681
Convertible bond	175,648	168,706
Long-term lease liabilities	79,363	74,903
Liability for sale and leaseback transaction	64,048	-
Other short-term liabilities	37,409	29,707
Trade and other payables*	33,266	48,646
Tenant deposits	2,269	1,908
Loans from shareholders	614,993	837,437
Loans from non-controlling interests	527,168	502,135
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities	32,452	31,562
Total	3,598,169	3,467,779

* including Income tax payables

- (1) Financial assets at amortized cost included in the consolidated statement of financial position consist of financial instruments of EUR 336.8 million with an average interest rates of 3.5%.

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After balance sheet date, in March 2022, the Group sold EUR 332.4 million of the financial assets (see Note 29) to third party.

- (2) Financial assets at fair value included in the consolidated statement of financial position, consist of, among others, financial instruments in the amount of EUR 210 million with interest rates of 5.5%. These financial assets are secured by several companies that hold indirectly German real estate assets.
- (3) Financial assets at fair value through profit and loss include equity instruments of approximately EUR 8 million. The remaining financial assets at fair value through profit and loss are debt instruments.

28.2 Fair value measurement hierarchy

The following table shows the fair value measurement hierarchy of the Group's assets and liabilities which are presented at fair value as 31 December 2021 and 31 December 2020 under the relevant fair value hierarchy. In addition, presented are the financial liabilities that are not measured at fair value and for which their carrying amount differs from the fair value:

31 December 2021					
Fair value measurement using					
EUR 000					
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets					
Financial assets at fair value through profit and loss	24,406	24,406	24,406	-	-
Financial assets at fair value through other comprehensive income	138,600	138,600	138,600	-	-
Derivatives financial instruments (1)	71,451	71,451	-	-	71,451
Total	234,457	234,457	163,006	-	71,451
Financial liabilities					
Derivatives financial liabilities (3)	32,452	32,452	-	-	32,452
Senior Unsecured Bonds (2)	1,325,016	1,308,468	1,308,468	-	-
Total	1,357,468	1,340,920	1,308,468	-	32,452

31 December 2020					
Fair value measurement using					
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets					
Financial assets at fair value through profit and loss	15,135	15,135	-	-	15,135
Total	15,135	15,135	-	-	15,135
Financial liabilities					
Derivatives financial liabilities (3)	31,562	31,562	-	591	30,971
Senior Unsecured Bonds (2)	980,094	927,741	927,741	-	-
Total	1,011,656	959,303	927,741	591	30,971

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

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

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

There have been no transfers between Level 1, Level 2 and Level 3 during 2021 and 2020.

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

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- (1) The Group holds financial assets measured at fair value through profit and loss of EUR 71.4 million as of 31 December 2021. The fair value of the financial assets which are classified as level 3 were measured by external valuers. The methodology used by the external valuator was based on discounting the cash flows from the underlying assets (i.e. level 1 Financial assets at fair value through other comprehensive income) in accordance with the Discounted Cash Flow (DCF) model. The estimated fair value would increase (decrease) if the expected cash flows were higher (lower); or the risk-adjusted discount rate were lower (higher). A change of +/- 0.5% in the risk-adjusted discount rate and/or a change of +/- 5% in the expected cash flows will not have a significant effect on the fair value of the financial assets.
- (2) The fair value of the senior unsecured bonds are based on price quotations at the reporting date.
- (3) The derivative financial liabilities are valued based on forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of the counterparties, interest rate curves and forward rate curves.

28.3 Risk Management

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

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

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

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

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

28.3.1 Credit risk

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

Impairment losses on financial assets were recognized as follows:

	31 December 2021	31 December 2020
	EUR 000	
Impairment loss on receivables arising from contract with customers	7,012	3,289

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In addition, the Group recognized an impairment loss for Financial assets at fair value through OCI for an amount of EUR 68.5 million and an impairment loss for financial assets measured at amortized cost for an amount of EUR 20.3 million. The total effect of the impairment on the consolidated statement of profit and loss was netted by the change in value of a derivative which had been recorded separately in the statement of financial position at fair value for which an amount of EUR 71.5 million had been recognized through the consolidated statement of profit and loss.

Receivables

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

Cash and cash equivalents

The Group holds cash and cash equivalents with banks and financial institutions with a long-term rating mainly of A1 to Aa3 based on the ratings of Moody's.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. During the year no impairment has been recognised on cash and cash equivalents. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

Derivatives

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

Exposure to credit risk

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

<i>Exposure to credit risk</i>	31 December 2021	31 December 2020
	EUR 000	
Euro-zone countries	601,195	27,835
United Kingdom	29,097	21,645
Total	630,292	49,480

Assessment of expected credit losses

As at 31 December 2021, the breakdown of rent receivables is set out below:

	Gross carrying amount	Provision for impairment	Credit impaired financial asset
	EUR 000		
Past due 0-30 days	4,449	(1)	4,448
Past due 31-120 days	1,601	(10)	1,591
Past due 120 days to one year	9,179	(1,790)	7,389
Past due more than one year	7,341	(5,211)	2,130
Total	22,570	(7,012)	15,558

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

	Gross carrying amount	Provision for impairment	Credit impaired financial asset
	EUR 000		
Past due 0-30 days	1,814	-	1,814
Past due 31-120 days	3,057	(493)	2,564
Past due 120 days to one year	3,725	(1,358)	2,367
Past due more than one year	2,866	(1,438)	1,428
Total	11,462	(3,289)	8,173

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

28.3.2 Liquidity risk

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

The following are the contractual maturities of financial liabilities at undiscounted amounts and based on the future rates forecasted at the reporting date, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2021 and 31 December 2020:

As at 31 December 2021	Contractual cash flows including interest					
	2021 Carrying amount	Total	2022	2023	2024	>2025
	EUR 000					
Loans and borrowings	706,537	759,407	45,038	339,787	203,291	171,291
Bonds	1,325,016	1,480,514	43,400	43,400	735,058	658,656
Convertible bond	175,648	216,336	4,500	4,500	4,500	202,836
Lease liabilities	143,411	508,763	-	4,702	4,702	499,359
Tenant deposits	2,269	3,988	-	1,194	525	2,269
Trade and other payables	26,857	26,857	26,857	-	-	-
Subtotal	2,379,738	2,995,865	119,795	393,583	948,076	1,534,411
Loans from Shareholder	614,993	841,011	-	-	-	841,011
Loans from non-controlling interests	527,168	728,875	-	-	-	728,875
Total	3,521,899	4,565,751	119,795	393,583	948,076	3,104,297

As at 31 December 2020	Contractual cash flows including interest					
	2020 Carrying amount	Total	2021	2022	2023	>2024
	EUR 000					
Loans and borrowings	792,681	863,838	37,156	37,267	36,887	752,528
Bonds	980,094	1,138,250	31,500	31,500	31,500	1,043,750
Convertible bond	168,706	221,000	4,500	4,500	4,500	207,500
Lease liabilities	74,903	219,181	-	-	4,702	214,479
Tenant deposits	1,908	1,956	692	70	119	1,075
Trade and other payables	44,486	44,486	44,486	-	-	-
Subtotal	2,062,778	2,488,711	118,334	73,337	77,708	2,219,332
Loans from Shareholder	837,437	1,261,040	-	-	-	1,261,040
Loans from non-controlling interests	502,135	766,792	-	-	-	766,792
Total	3,402,350	4,516,543	118,334	73,337	77,708	4,247,164

As disclosed in Note 13 regarding loans and borrowings, the Group has secured bank loans which contain financial covenants. The breach of a financial covenant may require the Group to repay part of the loans earlier than indicated in the above table.

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

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

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

28.3.3 Interest rate risk

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

As at 31 December 2021, after taking into account the effect of hedging, the interest profile of the Group's long-term debt (loans and borrowings and bonds) was as follows:

	31 December 2021	31 December 2020
	EUR 000	
Fixed rate	1,880,675	1,640,889
Capped rate	325,327	332,370
Total	2,206,002	1,973,259

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and pre-tax equity. It should be noted that the impact of movement in the variables is not necessarily linear.

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

	31 December 2021		31 December 2020	
	EUR 000			
	+ 15 bps	-15 bps	+ 15 bps	-15 bps
3M Libor	485	(485)	615	(615)
3M Euribor	227	(227)	152	(152)

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

Fair value sensitivity analysis for fixed rate instruments

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

28.3.4 Foreign currency risk

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

Interest on borrowings is denominated in the currency of the borrowing. Generally, according the Group's policy loan borrowings are obtained in currencies that match the cash flows generated by the respective underlying operations of the Group, primarily GBP and EUR. This provides an

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economic hedge without derivatives being entered into and without application of hedge accounting.

The company continuously monitors its foreign currency exposure both from a fair value and cash flow perspective. To the extent there is no natural hedging, the Group ensures that its net exposure is kept to an acceptable level by keeping these foreign assets or liabilities to minimum levels.

28.3.5 Capital management

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

28.3.6 Other risks

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

Note 29 Subsequent Events

(1) In March 2022, the Group cashed additional portion of the non-traded bonds with a book value of EUR 332 million (the "Notes") for a total consideration of EUR 321 million (the "Total Purchase Price") to a EUR 4bn third-party European-based asset manager with expertise in and sizeable exposure to German real estate. The Total Purchase Price was split to immediate cash payment of ca. EUR 110 million which has been received by the Group and to a deferred payment (the "Deferred Payment"). The security package for the Deferred Payment includes a full pledge over the Notes sold.

(2) On 24 February 2022, the Russian Federation ('Russia') started moving military forces into the Ukraine, initiating a full-scale invasion. As of the date of this report, hostilities continue. In a reaction to the Russian invasion, many countries and organizations have announced sanctions against Russia, Russian companies and individuals. These sanctions have resulted in increased volatility in financial markets and commodities, in particular energy prices. The Group is not directly impacted by the conflict as it has no direct exposure to Ukraine or Russia.

(3) Post the reporting period, the group successfully acquired through share and asset deals investment properties from third parties for a consideration of approximately EUR 245 million.

(4) Post the reporting period an agreement was signed with a long-term investor for investments in a subsidiary of the Group in exchange of 8.01% stake in the subsidiary share and shareholder loan.

(5) Post the reporting period the Group performed a buy-back of its subsidiary's issued unsecured bonds, in a nominal amount of EUR 65.7m.

On 19 July 2022 the Board of Directors of Toriase Public Company Ltd authorised these consolidated financial statements for issue.