

## **Summary of significant changes (adjustments) in the Consolidated Condensed Interim Financial Report for the period ended 30 June 2017 of Griffin Premium RE.. N.V. (annex to RB 24/2017)**

### **Pt. 1.3. of the Consolidated Condensed Interim Financial Report for the period ended 30 June 2017 Griffin Premium RE.. N.V. – pages 13-15**

#### **Was:**

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements (not statutory) for the year ended 31 December 2016. After 1 January 2017 no new or amended Standards or Interpretations have been issued that apply to the annual reporting periods beginning after 1 January 2017. New or amended Standards or Interpretations that have been issued but are not yet applicable because they are not yet effective in the light of European Union or have been endorsed by European Union but the Company has not early adopted them, have been presented in the consolidated financial statement for the year ended 31 December 2016. In the first half of the year 2017 only one Standard has been issued: IFRS 17 Insurance contracts and IFRIC Interpretation 23.

The Group does not expect that the application of any of the new or amended Standards or Interpretations would significantly influence The Group's accounting policies, except:

#### *IFRS 17 Insurance Contracts*

This standard was issued on 18 May 2017 and will be effective for annual periods beginning on or after 1 January 2021. This standard has not yet been endorsed by the European Union. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Group does not act as a principal in case of insurance contracts and this standard will have no impact on financial statements.

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

This interpretation was issued on 7 June 2017 and will be effective for annual periods beginning on or after 1 January 2019. This interpretation has not yet been endorsed by the European Union. IFRIC 23 clarifies the accounting for uncertainties in income taxes. An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. This interpretation will have no impact on the Group's financial statements.

#### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and establishes new approach to lease agreements. The new standard will supersede current lease requirements under IFRS.

Landlord accounting is substantially unchanged from current accounting. As with IAS 17 Leases, IFRS 16 requires landlords to classify their rental contracts into two types, finance and operating leases. Lease classification determines how and when a landlord recognizes lease revenue and what assets a landlord records. The profit or loss recognition pattern for landlords is not expected to change.

The implementation of the new standard will impact the lessee accounting significantly and thus might influence the real estate entities' business practices.

The Group plans to adopt the new standard on the effective date. During 2016, the Group has started the impact assessment of all aspects of IFRS 16 by performing the high level evaluation. The Group is currently assessing the detailed impact of IFRS 16.

The new standard is effective for annual periods beginning on or after 1 January 2019, with limited early application permitted.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the effective date, using the full retrospective method.

During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments. The Group is currently assessing the impact of IFRS 15, in particular in respect of the following:

- The requirements to estimate variable consideration, and to determine the number of performance obligations contained in a contract, may lead to different revenue recognition in respect of fees for property management and development services.
- Sales of real estate will generally be recognized when control of the property transfers. Judgement will be required when applying the new requirements, to assess whether control transfers and therefore revenue should be recognized over time or at a point in time.

Note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.

#### *IFRS 9 Financial Instruments*

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

The Group plans to adopt the new standard on the effective date. During 2016, the Group has performed a high level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

## **Should be:**

### New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements (non statutory) for the year ended 31 December 2016, except for new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of the amendments that are of relevance to a real estate investor are disclosed below. Although these amendments were applied for the first time in 2016, they did not impact the annual Consolidated Financial Statements of the Group.

The nature and effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have material impact on the interim condensed consolidated financial statements of the Group.

#### *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

#### *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

#### *Annual Improvements Cycle - 2014-2016*

##### *Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. Application of amendments has no effect on Group's financial statements.

#### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and establishes new approach to lease agreements. The new standard will supersede current lease requirements under IFRS.

Landlord accounting is substantially unchanged from current accounting. As with IAS 17 Leases, IFRS 16 requires landlords to classify their rental contracts into two types, finance and operating leases. Lease classification determines how and when a landlord recognizes lease revenue and what assets a landlord records. The profit or loss recognition pattern for landlords is not expected to change.

The implementation of the new standard will impact the lessee accounting significantly and thus might influence the real estate entities' business practices.

The Group plans to adopt the new standard on the effective date. During 2016, the Group has started the impact assessment of all aspects of IFRS 16 by performing the high level evaluation. The Group is currently assessing the detailed impact of IFRS 16.

The new standard is effective for annual periods beginning on or after 1 January 2019, with limited early application permitted.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the effective date, using the full retrospective method.

During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments. The Group is currently assessing the impact of IFRS 15, in particular in respect of the following:

- The requirements to estimate variable consideration, and to determine the number of performance obligations contained in a contract, may lead to different revenue recognition in respect of fees for property management and development services.
- Sales of real estate will generally be recognized when control of the property transfers. Judgement will be required when applying the new requirements, to assess whether control transfers and therefore revenue should be recognized over time or at a point in time.

Note that IFRS 15 will not affect the recognition of lease income as this is still dealt with under IAS 17 Leases.

#### *IFRS 9 Financial Instruments*

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

The Group plans to adopt the new standard on the effective date. During 2016, the Group has performed a high level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed

analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

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**Was:**

Income tax

	<i>For the period</i>			
	<i>1.01.2017- 30.06.2017</i>	<i>1.04.2017- 30.06.2017</i>	<i>1.01.2016- 30.06.2016</i>	<i>1.04.2016- 30.06.2016</i>
<b><i>Consolidated Statement of Comprehensive Income</i></b>				
<b><i>Current income tax:</i></b>				
<i>Current income tax charge</i>	4	-	(71)	4
<b><i>Deferred income tax:</i></b>				
<i>Relating to origination and reversal of temporary differences</i>	(7 380)	(7 684)	(191)	262
<b><i>Income tax (expense)/gain reported in the Consolidated Statement of Comprehensive Income</i></b>				
	<b><i>(7 376)</i></b>	<b><i>(7 684)</i></b>	<b><i>(262)</i></b>	<b><i>266</i></b>

Movements In deferred tax assets and liabilities were as follows:

	<b>30.06.2017</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
<i>Deferred tax assets</i>	2 752	5 095	7 674
<i>Deferred tax liabilities</i>	18 456	13 053	15 658
	<b>30.06.2016</b>	<b>31.03.2016</b>	<b>31.12.2015</b>
<i>Deferred tax assets</i>	3 056	1 361	2 096
<i>Deferred tax liabilities</i>	5 852	4 528	4 802

As a result of Reorganisation described in Note 2 the Group started to recognize deferred tax liability on temporary differences associated with investment properties. Prior to Reorganisation, specific Entities in the Group were not income tax payers.

## **Should be:**

### Income tax

	<i>For the period</i>			
	<i>1.01.2017- 30.06.2017</i>	<i>1.04.2017- 30.06.2017</i>	<i>1.01.2016- 30.06.2016</i>	<i>1.04.2016- 30.06.2016</i>
<b>Consolidated Statement of Comprehensive Income</b>				
<b>Current income tax:</b>				
Current income tax charge	4	-	(71)	4
<b>Deferred income tax:</b>				
Relating to origination and reversal of temporary differences	(7 423)	(7 728)	(191)	262
<b>Income tax (expense)/gain reported in the Consolidated Statement of Comprehensive Income</b>	<b>(7 420)</b>	<b>(7 728)</b>	<b>(262)</b>	<b>266</b>

Movements In deferred tax assets and liabilities were as follows:

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Deferred tax assets	2 752	5 095	7 674
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**Was:**

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments and investment property in the fair value measurement hierarchy as at 30 June 2017, 31 December 2016 and 30 June 2016:

***Fair value hierarchy***

<b>30 June 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Completed investment property</i>	-	-	508 024	<b>508 024</b>
<i>Long-term loans</i>	-	227	-	<b>227</b>
<i>Debentures</i>	-	18 033	-	<b>18 033</b>
<i>Available for sale financial assets</i>	-	-	6 409	<b>6 409</b>
<i>Bank loans</i>	-	302 651	-	<b>302 651</b>
<i>Other borrowings</i>	-	21	-	<b>21</b>
<i>Deposits from tenants and other deposits</i>	-	5 548	-	<b>5 548</b>
<i>Trade and other payables</i>	-	-	4 624	<b>4 624</b>
<i>Capex payables</i>	-	-	7 591	<b>7 591</b>
<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Completed investment property</i>	-	-	470 380	<b>470 380</b>
<i>Long-term loans</i>	-	790	-	<b>790</b>
<i>Bank loans</i>	-	301 585	-	<b>301 585</b>
<i>Other borrowings</i>	-	137 935	-	<b>137 935</b>
<i>Deposits from tenants and other deposits</i>	-	3 824	-	<b>3 824</b>
<i>Trade and other payables</i>	-	-	3 260	<b>3 260</b>
<i>Capex payables</i>	-	-	3 323	<b>3 323</b>

<b>30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Completed investment property</i>	-	-	389 279	<b>389 279</b>
<i>Investment property under construction</i>	-	-	59 234	<b>59 234</b>
<i>Long-term loans</i>	-	544	-	<b>544</b>
<i>Bank loans</i>	-	261 378	-	<b>261 378</b>
<i>Other borrowings</i>	-	98 697	-	<b>98 697</b>
<i>Deposits from tenants and other deposits</i>	-	4 823	-	<b>4 823</b>
<i>Trade and other payables</i>	-	-	3 726	<b>3 726</b>
<i>Capex payables</i>	-	-	5 979	<b>5 979</b>

### **Should be:**

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments and investment property in the fair value measurement hierarchy as at 30 June 2017, 31 December 2016 and 30 June 2016:

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

<b>30 June 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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<i>Available for sale financial assets</i>	-	-	6 409	<b>6 409</b>
<i>Bank loans</i>	-	302 651	-	<b>302 651</b>
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<i>Deposits from tenants and other deposits</i>	-	3 824	-	<b>3 824</b>
<i>Trade and other payables</i>	-	3 260	-	<b>3 260</b>
<i>Capex payables</i>	-	3 323	-	<b>3 323</b>
<b>30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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<i>Other borrowings</i>	-	98 697	-	<b>98 697</b>
<i>Deposits from tenants and other deposits</i>	-	4 823	-	<b>4 823</b>
<i>Trade and other payables</i>	-	3 726	-	<b>3 726</b>
<i>Capex payables</i>	-	5 979	-	<b>5 979</b>