HB Reavis Holding S.à r.l.

Condensed Consolidated Interim Financial Statements
30 June 2017

Contents

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE 6 MONTHS ENDED 30 JUNE 2017

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In millions of EUR	Note	30 June 2017 Unaudited	31 December 2016 Audited
ASSETS			
Non-current assets			
Investment property in use or vacant	9	675.9	565.1
Investment property under development	9	725.9	639.5
Investment in joint ventures	10	59.7	46.5
Financial investments		2.9	-
Property, plant and equipment	8	8.2	9.0
Intangible assets		0.3	0.2
Receivables and loans	7, 11	14.0	12.3
Deferred income tax asset	25	5.1	4.4
Other non-current assets	12	9.8	11.1
Total non-current assets		**1,501.8**	**1,288.1**
Current assets			
Non-current assets classified as held for sale	15	**243.7**	**221.8**
Inventories		0.6	0.4
Trade and other receivables	7, 13	115.3	67.5
Amount due from customers for contract work	14	146.3	221.3
Other assets		9.2	5.2
Cash and cash equivalents	16	131.5	308.0
		402.9	**602.4**
Total current assets		**646.6**	**824.2**
TOTAL ASSETS		**2,148.4**	**2,112.3**
EQUITY			
Share capital *(12,500 shares at EUR 1.00 each)*	17	-	-
Share premium	17	519.0	532.6
Retained earnings		662.7	628.5
Revaluation reserve for assets transferred to investment properties at fair value	8	3.8	3.8
Currency translation reserve	2.3	(16.9)	(28.7)
Equity attributable to the Company's owners		1,168.6	1,136.2
Non-controlling interest		0.5	0.5
TOTAL EQUITY		**1,169.1**	**1,136.7**
LIABILITIES			
Non-current liabilities			
Borrowings	18	513.9	564.9
Deferred income tax liability	25	55.6	69.9
Other payables	7, 19	3.9	4.8
Total non-current liabilities		**573.4**	**639.6**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	15	**153.8**	**113.8**
Borrowings	18	178.2	91.3
Trade and other payables	7, 19	59.4	115.9
Deferred income	19	7.8	8.8
Current income tax payable		6.7	6.2
		252.1	**222.2**
Total current liabilities		**405.9**	**336.0**
TOTAL LIABILITIES		**979.3**	**975.6**
TOTAL LIABILITIES AND EQUITY		**2,148.4**	**2,112.3**

These condensed consolidated interim financial statements have been approved for issue and signed on behalf of the HB Reavis Holding S.à r.l. on 29 September 2017 by the members of the Board of Managers of HB Reavis Holding S.à r.l. Partners have the power to amend these condensed consolidated interim financial statements after issue.

Daan den Boer Manager A	Fabrice Mas Manager A	Marián Herman Manager B	Pavel Trenka Manager B

In millions of EUR	Note	6 months ended 30 June 2017 Unaudited	6 months ended 30 June 2016 Unaudited
Rental and similar income from investment property	20	24.9	36.4
Direct operating expenses arising from investment property	21	(9.2)	(11.2)
Net operating income from investment property		**15.7**	**25.2**
Revaluation gain/(loss) on investment property	9	14.2	63.5
Share of profit or loss of joint ventures	10	11.8	3.3
Gain on disposal of subsidiaries	24	20.1	5.9
Other operating income	7, 23	6.6	1.4
Revenue from construction contracts	14	37.3	39.6
Construction services	14	(30.1)	(36.1)
Employee benefits	7, 22	(9.8)	(7.8)
Fuel costs		(0.1)	(0.1)
Depreciation and amortisation		(0.9)	(0.7)
Other operating expenses	23	(23.4)	(13.3)
Operating profit		**41.4**	**80.9**
Interest income	7	0.2	0.5
Interest expense		(10.6)	(13.4)
Foreign exchange gains/(losses), net	26	5.3	(37.9)
Gains less losses on financial investments held for trading		-	-
Gains less losses on financial derivatives		1.3	(1.4)
Other finance income		1.3	1.8
Other finance costs		(2.4)	(18.0)
Finance costs, net		**(4.9)**	**(68.4)**
Profit before income tax		**36.5**	**12.5**
Current income tax credit/(expense)	25	(1.2)	(0.5)
Deferred income tax (expense)/credit	25	(1.1)	(9.8)
Income tax credit/(expense)		**(2.3)**	**(10.3)**
Net profit for the period		**34.2**	**2.2**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations to the presentation currency for the period	2.3	11.6	(26.9)
Translation of foreign operations reclassified to profit or loss upon loss of control of subsidiary or repayment of subsidiaries' capital	24, 26	0.2	-
Items that may not be reclassified subsequently to profit or loss:			
Revaluation of own use premises upon transfer to investment properties at fair value		-	-
Total other comprehensive income		11.8	(26.9)
Total comprehensive income for the period		**46.0**	**(24.7)**
Net profit is attributable to:			
- Owners of the Company		34.2	2.2
- Non-controlling interest		-	-
Profit for the period		**34.2**	**2.2**
Total comprehensive income is attributable to:			
- Owners of the Company		46.0	(24.7)
- Non-controlling Interest		-	-
Total comprehensive income for the period		**46.0**	**(24.7)**

		Attributable to owners of the Company							
In millions of EUR	Note	Share capital (Note 17)	Share premium (Note 17)	Retained earnings	Translation reserve	Revaluation reserve	Total	Non-controlling Interest	Total equity
Balance at 1 January 2016		**-**	**581.3**	**521.0**	**(6.4)**	**3.8**	**1,099.7**	**0.6**	**1,100.3**
Profit for the period		-	-	2.2	-	-	**2.2**	-	**2.2**
Other comprehensive income		-	-	-	(26.9)	-	**(26.9)**	-	**(26.9)**
Total comprehensive income for the year		**-**	**-**	**2.2**	**(26.9)**	**-**	**(24.7)**	**-**	**(24.7)**
Disposal of subsidiary		-	-	-	-	**-**	**-**	-	**-**
Distribution to owners	17	-	(27.6)	-	-	-	**(27.6)**	-	**(27.6)**
Other		-	-	-	-	-	**-**	-	**-**
Balance at 30 June 2016		**-**	**553.7**	**523.2**	**(33.3)**	**3.8**	**1,047.4**	**0.6**	**1,048.0**
Balance at 1 January 2017		-	**532.6**	**628.5**	**(28.7)**	**3.8**	**1,136.2**	**0.5**	**1,136.7**
Profit for the period		-	-	34.2	-	-	**34.2**	-	**34.2**
Other comprehensive income		-	-	-	11.8	-	**11.8**	-	**11.8**
Total comprehensive income for the period		**-**	**-**	**34.2**	**11.8**	**-**	**46.0**	**-**	**46.0**
Distribution to owners	17	-	(13.6)	-	-	-	**(13.6)**	-	**(13.6)**
Other		-	-	-	-	**-**	**-**	-	**-**
Balance at 30 June 2017		**-**	**519.0**	**662.7**	**(16.9)**	**3.8**	**1,168.6**	**0.5**	**1,169.1**

In millions of EUR	Note	6 months ended 30 June 2017 Unaudited	30 June 2016 Unaudited
Cash flows from operating activities			
Profit before income tax		36.5	12.5
Adjustments for:			
Depreciation and amortisation	8	0.9	0.7
Revaluation gains on investment property	9	(14.2)	(63.5)
Gains less losses on disposals of subsidiaries	24	(20.1)	(5.9)
Share of profit or loss of joint ventures		(11.2)	(3.3)
Gains less losses from financial instruments held for trading		-	16.8
Interest income		(0.2)	(0.5)
Interest expense		10.6	13.4
Unrealised foreign exchange (gains)/losses	26	(4.9)	37.9
Unrealised (gains)/losses from financial derivatives		(3.9)	-
Operating cash flows before working capital changes		(6.5)	8.1
Working capital changes:			
Decrease/(increase) in trade and other receivables		12.9	(17.9)
Increase/(decrease) in trade and other payables		(43.3)	(3.9)
Increase/(decrease) in taxes payable		-	(0.2)
Cash generated from operations		(36.9)	(13.9)
Interest paid		(8.6)	(11.3)
Interest received		0.2	0.5
Income taxes paid		(0.7)	(0.2)
Net cash from operating activities		**(46.0)**	**(24.9)**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	8	(0.2)	(1.4)
Purchases of investment properties		(285.2)	(71.2)
Advances and prepayments paid		-	-
Investment in joint venture		(2.0)	-
Construction costs related to investment properties		(75.0)	(106.4)
Proceeds from sales of investment property		-	-
Proceeds from sales of subsidiaries, net of cash disposed	24	(25.9)	59.7
Loans provided to related parties under common control		-	(10.7)
Purchases of financial instruments held for trading		13.4	(5.4)
Restricted cash		2.4	(5.6)
Net cash (used in)/from investing activities		**(372.5)**	**(141.0)**
Cash flows from financing activities			
Proceeds from borrowings		319.3	207.0
Repayment of borrowings		(53.4)	(27.2)
Distributions paid to owners	17	(13.6)	(24.0)
Net cash from/(used in) financing activities		**252.3**	**155.8**
Net (decrease) / increase in cash and cash equivalents		**(166.2)**	**(10.1)**
Cash and cash equivalents at the beginning of the period	16	313.2	113.5
Cash and cash equivalents at the end of the period		**147.0**	**103.4**
Reconciliation of cash and cash equivalents:			
- Restricted cash	16	0.8	7.5
- Cash within non-current assets classified as held for sale	15	(16.3)	(18.8)
Cash and cash equivalents on the balance sheet at the end of the 6 month period	16	**131.5**	**92.1**

The accompanying notes on pages 5 to 54 are an integral part of these condensed consolidated interim financial statements.

1 The HB REAVIS Group and its Operations

These condensed consolidated interim financial statements have been prepared in accordance IAS 34, "Interim financial reporting" for the 6 months ended 30 June 2017 for HB Reavis Holding S.à r.l. (the "Company") and its subsidiaries (together referred to as the "Group" or "HB REAVIS Group").

The Company was incorporated and is domiciled in Luxembourg. The Company is a private limited liability company (société à responsabilité limitée) and was set up in accordance with the Luxembourg regulations on 20 October 2010. The Company is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg no. B 156.287.

HB Reavis Holding S.à r.l. is ultimately controlled by Mr. Ivan Chrenko. The Group's immediate parent as of the date of issuance of these condensed consolidated interim financial statements is Kennesville Holdings Ltd based in Cyprus.

Principal activity. The HB REAVIS Group is a real estate group with major portfolio of investment properties in Slovakia, the Czech Republic, Poland, Hungary and the United Kingdom. It is principally involved in the development of properties for its own portfolio, in leasing out investment properties under operating leases, as well as in asset management and is also active in investment management. The Group develops and manages investment properties to earn rental income or for capital appreciation. The Group made its largest acquisition in HB Reavis history with acquisition of One Waterloo in London, in prominent South Bank location next to Waterloo station. The project has a permit in place enabling development of almost 88sq m of mix office-resi scheme for the projected Gross Development Value of 1.6bn EUR. Our aim is to optimize current permit and apply for re-permitting with anticipated start of construction of the new scheme in 2020 and delivery of the project in 2024. As for acquisition activities in 2016, the Group purchased BEM Palace in Budapest, Hungary and project 61 Southwark Street (project Cooper & Southwark) in London, UK, Radlicka site in Prague, the Czech Republic and also an addition site extending our Twin City project development in Bratislava, Slovakia. Two projects shall be completed in third quarter of 2017: 33 Central in London and West Station Business Center II in Warsaw. The Group opened Gdanski Business Center II and West Station Business Center I in Warsaw, Poland, Twin City Business Center (blocks B and C) in Bratislava, Slovakia and Aupark in Hradec Kralove, the Czech Republic in 2016, Metronom Business Center in Prague, the Czech Republic, Postepu Business Center, in Warsaw, Poland and Twin City Business Centre (block A) in Bratislava, Slovakia in 2015. As of the date of preparation of these consolidated financial statements, construction of 33 Central, 20 Farringdon Street and Cooper & Southwark, all three in London, UK, West Station Business Center II and Varso project, both in Warsaw, Poland, Twin City Tower, Nivy Tower & Stanica Nivy in Bratislava, Slovakia and Agora project in Budapest, Hungary is ongoing. The Group operates also a logistics property in the Czech Republic – Lovosice (completed in 2010).

HB Reavis Real Estate Fund structure. HB Reavis Real Estate Investment Fund (until 27 April 2017 HB Reavis Real Estate SICAV – SIF) (the "Fund") is an umbrella fund incorporated as a corporate partnership limited by shares (société en commandite par actions or S.C.A.) under the laws of Luxembourg, which is registered as an investment company with fixed capital (société d'investissement à capital fixe) within the meaning of article 72-3 of the law on commercial companies of 10 August 1915, as amended (the 1915 Law) and registered as an undertaking for collective investment governed by Part II (UCI Part II) of the 2010 Law, governed by the present articles of association and by current Luxembourg laws, and notably by the 1915 Law and the law of 17 December 2010 on undertakings for collective investment, as amended (2010 Law). It is also governed by specific management regulations dated June 2012. The Fund was set up on 25 May 2011 and was registered as an investment company with variable capital until 27 April 2017. The Fund is registered at the Luxembourg Commercial Register under file R.C.S. Luxembourg B 161.180. Furthermore, the Fund is in the scope of the Alternative Investment Fund Management Law of 12 July 2013 ("AIFM Law") and qualifies as an Alternative Investment Fund ("AIF"). The Group launched its first Sub-Fund named HB Reavis CE REIF (hereafter "Sub-Fund A" or "CE REIF") in 2011. A second Sub-Fund named HB Reavis Global REIF (hereafter "Sub-Fund B" or "Global REIF") was launched on 15 September 2015. The Fund is managed for the account of and in the exclusive interest of its shareholders by HB Reavis Investment Management S.à r.l. (the "Management Company"), a limited liability company organised under the laws of Luxembourg (registration number B 161.176) having its registered office at 20, rue de la Poste, L-2346 Luxembourg.

CE REIF Sub-Fund. While there is no specific country or real estate segment restrictions posed, the CE REIF Sub-Fund aims to mainly invest in the Central European region as Slovakia, the Czech Republic, Poland and Hungary in commercial real estate assets. The initial CE REIF Sub-Fund's portfolio included investments in prime properties only located in Slovakia. The office segment investments are restricted to A-class properties located in central business districts of capital cities in Slovakia, the Czech Republic and Hungary. In Poland however, both, capital and regional cities are eligible for investments in the office segment. The retail segment investments are aimed to be made in both capital and regional cities in the entire Central European region. Investments in logistic properties are restricted to attractive and strategic locations only. CE REIF Sub-Fund seeks to maximize the value via investing in properties, which in the past proved to bear characteristics of a prime-commercial real estate property, which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. CE REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income. The Group lost control of the Sub-Fund A in 2017.

1 The HB REAVIS Group and its Operations (Continued)

Global REIF Sub-Fund. While there are no specific country or real estate segment restrictions posed, Global REIF Sub-Fund aims to mainly invest in commercial real estate assets located in the EU countries and Turkey. The initial Global REIF Sub-Fund's portfolio included investment properties in prime properties only located in Slovakia. The office segment investments are focused mainly on properties located in business districts of capital and regional cities in the EU countries and Turkey, but without any specific location restriction. The retail segment investments are aimed to be made in both capital and regional cities of EU countries and Turkey. Investments in logistic properties are restricted to attractive and strategic locations in EU countries and Turkey. In case of "core" investments, Global REIF Sub-Fund seeks to maximize the value via investing in properties, which in the past proved to bear characteristics of a prime-commercial real estate property which as such implies to have a top-tier tenants portfolio being located in prime or strategic locations and soundly built from both technical and architectonical point of view. Global REIF Sub-Fund seeks to enhance value of properties by contracting an excellent lease management in order to maximize property income.

The Group is also involved in limited construction of real estate for third parties, including related parties.

The Group's strategy is reflected in its cash flow forecast that is regularly monitored by the Board of Managers, including their assessment of appropriateness of preparation of the financial statements on a going concern basis. The cash flow outlook is further described under the description of management of liquidity in Note 28. Valuation of properties of the Group in the less liquid markets necessarily involves an element of judgement. The critical accounting judgments used in valuation of the Group's investment properties are described in Note 3.

Registered address and place of business. The Company's registered address and principal place of business is:

6, rue Jean Monnet
L-2180 Luxembourg
Luxembourg

The Group has offices in Luxembourg, Amsterdam, Bratislava, Warsaw, Prague, Budapest, London, Berlin and Istanbul.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of Preparation

Statement of compliance. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"). The Group applies all IFRS standards and interpretations issued by International Accounting Standards Board (hereinafter "IASB") as adopted by the European Union, which were in force as of 30 June 2017.

Income and cash flow statements. The Group has elected to present a single 'statement of profit or loss and other comprehensive income' and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Interest received and interest paid are presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

Preparation of the condensed consolidated interim financial statements. These condensed consolidated interim financial statements are presented in millions of Euro ("EUR") rounded to one decimal place, unless otherwise stated.

The condensed consolidated interim financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment properties (including those held for sale), financial assets classified as available for sale (eg earn-out receivables), derivatives and other financial instruments held for trading that have been measured at fair value.

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the condensed consolidated interim financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the counterparties are used to fair value certain financial instruments or investment properties for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Refer to Note 30.

2.2. Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim financial statements. In preparing the condensed consolidated interim financial statements, the individual financial statements of the consolidated entities are aggregated on a line-by-line basis by adding together the like items of assets, liabilities, equity, income and expenses. Transactions, balances, income and expenses between the consolidated entities are eliminated.

Subsidiaries. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The entities included within these condensed consolidated interim financial statements are as follows:

				Percentage ownership interest and voting rights held	
Number	**Subsidiaries**	**Functional currency**	**Country of incorporation**	**30 June 2017**	**31 December 2016**
1	HB Reavis Holding S.à r.l. (Parent Company)	EUR	Luxembourg	N/A	N/A
2	HB Reavis Real Estate Investment Fund *(until 27.4.2017 HB Reavis Real Estate SICAV – SIF)*	EUR	Luxembourg	100	100
3	HBR CE REIF LUX1, S.à r.l[6]	EUR	Luxembourg	-	100
4	HBR CE REIF LUX2, S.à r.l[6]	EUR	Luxembourg	-	100
5	HB Reavis Investment Management S.à r.l.	EUR	Luxembourg	100	100
6	TRITRI House S.à r.l.	GBP	Luxembourg	-	-
7	TWENTY House S.à r.l.	GBP	Luxembourg	100	100
8	GBC A S.à r.l.	EUR	Luxembourg	100	100
9	Gdanski A SCSp.	EUR	Luxembourg	100	100
10	GBC B S.à r.l.	EUR	Luxembourg	100	100
11	Gdanski B SCSp.	EUR	Luxembourg	100	100
12	GBC C S.à r.l.	EUR	Luxembourg	100	100
13	Gdanski C SCSp.	EUR	Luxembourg	100	100
14	GBC D S.à r.l.	EUR	Luxembourg	100	100
15	Gdanski D SCSp.	EUR	Luxembourg	100	100
16	Tamino Management S.à r.l.	EUR	Luxembourg	100	100
17	Tamino Investment SCSp.	EUR	Luxembourg	100	100
18	Pamina Managment S.à r.l.	EUR	Luxembourg	100	100
19	Pamina Investment SCSp.	EUR	Luxembourg	100	100
20	Hetman Management S.à r.l.[5]	EUR	Luxembourg	-	100
21	Hetman Investment SCSp. [5]	EUR	Luxembourg	-	100
22	Varso 1 Management S.à r.l.	EUR	Luxembourg	100	100
23	Varso 1 Investment SCSp.	EUR	Luxembourg	100	100
24	Varso 2 Management S.à r.l.	EUR	Luxembourg	100	100
25	Varso 2 Investment SCSp.	EUR	Luxembourg	100	100
26	Varso Tower Management S.à r.l.	EUR	Luxembourg	100	100
27	EIGHT House S.à r.l.	GBP	Luxembourg	100	100
28	SIXTYFIVE House S.à r.l.	GBP	Luxembourg	100	100
29	THIRTYFIVE House S.à r.l. [1]	GBP	Luxembourg	100	100
30	ONE House S.à r.l. [1]	GBP	Luxembourg	100	100
31	HBR CE REIF LUX 3 S.à r.l.	EUR	Luxembourg	100	100
32	HBR CE REIF LUX 4 S.à r.l.	EUR	Luxembourg	100	100
33	P14 S.à r.l.	EUR	Luxembourg	-	100
34	Postepu 14 SCSp.	EUR	Luxembourg	-	100
35	HubHub Luxembourg S.à r.l. I *(former Tribazu S.à r.l.)*	EUR	Luxembourg	100	100
36	SRE Waterloo Properties S.à r.l.[1]	GBP	Luxembourg	100	-
37	HB REAVIS GROUP B.V.	EUR	Netherlands	100	100
38	WATERFIELD Management B.V.	EUR	Netherlands	99.5	99.5
39	HBRG Invest B.V.	EUR	Netherlands	100	100
40	HB REAVIS Croatia B.V.	EUR	Netherlands	100	100
41	HB Reavis CEE B.V.	EUR	Netherlands	100	100
42	HBR HOLDING LIMITED	EUR	Cyprus	100	100
43	FILWOOD HOLDINGS LIMITED	EUR	Cyprus	100	100
44	HBR INVESTORS LTD	EUR	Cyprus	100	100

2 Significant Accounting Policies (Continued)

2.2. Condensed Consolidated Interim Financial Statements (Continued)

				Percentage ownership interest and voting rights held	
Number	**Subsidiaries**	**Functional currency**	**Country of incorporation**	**30 June 2017**	**31 December 2016**
45	HBR IM HOLDING LTD	EUR	Cyprus	100	100
46	HB Reavis UK Ltd.7	GBP	UK	100	100
47	HB Reavis Construction UK Ltd. 7	GBP	UK	100	100
48	33 CENTRAL LIMITED	GBP	UK	100	100
49	HBR FM LTD	GBP	UK	100	100
50	HBR Capital Investment LP	GBP	UK	100	100
51	10 Leake Street Ltd[1]	GBP	UK	100	-
52	Elizabeth Property Nominee (No 1) Ltd[1]	GBP	UK	100	-
53	Elizabeth Property Nominee (No 2) Ltd[1]	GBP	UK	100	-
54	Elizabeth Property Nominee (No 3) Ltd[1]	GBP	UK	100	-
55	Elizabeth Property Nominee (No 4) Ltd[1]	GBP	UK	100	-
56	Elizabeth Property Holdings Ltd[1]	GBP	UK	100	-
57	HB REAVIS IM ADVISOR LIMITED	EUR	Jersey	100	100
58	Waterloo Trustee Ltd	GBP	Jersey	100	-
59	The Waterloo Properties Unit Trust	GBP	Jersey	100	-
60	HB Reavis Turkey Gayrimenkul Hizmetleri Limited Şirketi	TRY	Turkey	100	100
61	HBR PROJE 1 Gayrimenkul Yönetimi Limited Şirketi	TRY	Turkey	100	100
62	HB Reavis Hungary Szolgáltató Kft.	HUF	Hungary	100	100
63	HB Reavis Construction Hungary Kft.	HUF	Hungary	100	100
64	AGORA Budapest Kft. (*former* HB Reavis Project 2 Kft.)	HUF	Hungary	100	100
65	HB REAVIS Buda Project Kft.	HUF	Hungary	100	100
66	AGORA HUB Kft.[1]	HUF	Hungary	100	-
67	ISTROCENTRUM a. s.	EUR	Slovakia	100	100
68	Eurovalley, a.s.	EUR	Slovakia	96.5	96.5
69	LUGO, s.r.o.	EUR	Slovakia	100	100
70	HB REAVIS Slovakia a. s.	EUR	Slovakia	100	100
71	HB REM, spol. s r.o.	EUR	Slovakia	100	100
72	HB REAVIS MANAGEMENT spol. s r.o.	EUR	Slovakia	100	100
73	Apollo Property Management, s.r.o.	EUR	Slovakia	100	100
74	Smart City Services s.r.o. *(until 4.5.2017 AUPARK Property Management, s. r. o.)*	EUR	Slovakia	100	100
75	HBR SFA, s. r. o.	EUR	Slovakia	100	100
76	BUXTON INVEST a.s.	EUR	Slovakia	100	100
77	Twin City a.s.	EUR	Slovakia	100	100
78	UNI - CC a. s.[6]	EUR	Slovakia	-	100
79	Logistické centrum Trnava s.r.o.	EUR	Slovakia	100	100
80	General Property Services, a.s.	EUR	Slovakia	100	100
81	FORUM BC II s. r. o.	EUR	Slovakia	100	100
82	HB REAVIS IM Advisor Slovakia s. r. o.	EUR	Slovakia	100	100
83	INLOGIS IV s. r. o.	EUR	Slovakia	100	100
84	INLOGIS V s. r. o.	EUR	Slovakia	100	100
85	INLOGIS LCR a. s.	EUR	Slovakia	100	100
86	INLOGIS VII s. r. o.	EUR	Slovakia	100	100
87	Pressburg Urban Projects a. s.	EUR	Slovakia	100	100
88	CBC I - II a. s.[6]	EUR	Slovakia	-	100
89	SPC Property I, spol. s r.o.	EUR	Slovakia	100	100
90	SPC Property III, s. r. o.	EUR	Slovakia	100	100
91	SPC Property Finance, s. r. o.	EUR	Slovakia	100	100
92	TC Tower A1 s. r. o.	EUR	Slovakia	100	100
93	SPC Property Finance II, s. r. o.	EUR	Slovakia	100	100
94	SPC Property Finance III, s.r.o.	EUR	Slovakia	100	100
95	SPC Property Finance IV, s. r. o.	EUR	Slovakia	100	100
96	HB REAVIS Finance SK s. r. o.	EUR	Slovakia	100	100
97	Twin City III s.r.o.	EUR	Slovakia	100	100
98	Twin City IV s.r.o.	EUR	Slovakia	100	100
99	Twin City V s.r.o.	EUR	Slovakia	100	100
100	HB REAVIS Finance SK II s. r. o.	EUR	Slovakia	100	100
101	HB REAVIS Finance SK III s. r. o.	EUR	Slovakia	100	100
102	Twin City VIII s.r.o.	EUR	Slovakia	100	100
103	SPC Property Finance V, s. r. o.	EUR	Slovakia	100	100
104	ALISTON Finance I s. r. o.	EUR	Slovakia	100	100
105	ALISTON Finance II s.r.o.	EUR	Slovakia	100	100
106	ALISTON Finance III s. r. o.	EUR	Slovakia	100	100
107	ALISTON Finance IV s. r. o. (*until 13.10.2016* as ALISTON VII s.r.o.)	EUR	Slovakia	100	100
108	Smart City s.r.o. *(until 10.2.2017 ALISTON II s. r. o.)*	EUR	Slovakia	100	100
109	Apollo Business Center III a.s. *(until 27.4.2016* as HoldCo I a. s.)[3]	EUR	Slovakia	100	100
110	Apollo Business Center V a. s. *(until 26.4.2016* as HoldCo II a.s.)[3]	EUR	Slovakia	100	100
111	Tower Nivy a. s.	EUR	Slovakia	100	100
112	TC Nivy a. s.	EUR	Slovakia	100	100

2 Significant Accounting Policies (Continued)

2.2. Condensed Consolidated Interim Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 30 June 2017	31 December 2016
113	HB Reavis Investment Management správ. spol., a.s.	EUR	Slovakia	100	100
114	HB REAVIS Consulting k.s.	EUR	Slovakia	100	100
115	HB REAVIS Development s. r. o.	EUR	Slovakia	100	100
116	HubHub Slovakia s.r.o.[1]	EUR	Slovakia	100	-
117	Smart City Bridge s. r. o.[1]	EUR	Slovakia	100	-
118	Smart City Eko s.r.o.[1]	EUR	Slovakia	100	-
119	Smart City Link s.r.o.[1]	EUR	Slovakia	100	-
120	Smart City Office s.r.o.[1]	EUR	Slovakia	100	-
121	Smart City Parking s.r.o.[1]	EUR	Slovakia	100	-
122	Smart City Petržalka s. r. o.[1]	EUR	Slovakia	100	-
123	Nivy Tower s.r.o.[1]	EUR	Slovakia	100	-
124	HB REAVIS Finance SK IV s.r.o.[1]	EUR	Slovakia	100	-
125	Twin City Infrastructure s. r. o.[1]	EUR	Slovakia	100	-
126	Smart City Office I s.r.o.[1]	EUR	Slovakia	100	-
127	Smart City Office II s.r.o.[1]	EUR	Slovakia	100	-
128	Smart City Office III s.r.o.[1]	EUR	Slovakia	100	-
129	Smart City Office IV s.r.o.[1]	EUR	Slovakia	100	-
130	Smart City Office V s.r.o.[1]	EUR	Slovakia	100	-
131	Smart City Office VI s.r.o.[1]	EUR	Slovakia	100	-
132	Stanica Nivy s.r.o.[1]	EUR	Slovakia	100	-
133	ANDAREA s.r.o.	CZK	Czech Rep	100	100
134	AR Consulting, a.s.	CZK	Czech Rep	100	100
135	AUPARK Brno, spol. s r.o.	CZK	Czech Rep	100	100
136	AUPARK Hradec Králové, a.s. [6]	CZK	Czech Rep	-	100
136	AUPARK Hradec Králové - KOMUNIKACE, s.r.o.	CZK	Czech Rep	100	100
138	AUPARK Ostrava, spol. s r.o. [4]	CZK	Czech Rep	-	100
139	AUPARK Karviná s.r.o.	CZK	Czech Rep	100	100
140	FORSEA s.r.o.	CZK	Czech Rep	100	100
141	HB Reavis CZ, a.s.	CZK	Czech Rep	100	100
142	HB REAVIS DEVELOPMENT CZ, a.s.	CZK	Czech Rep	100	100
143	HB REAVIS GROUP CZ, s.r.o.	CZK	Czech Rep	100	100
144	HB REAVIS MANAGEMENT CZ spol. s r.o.	CZK	Czech Rep	100	100
145	HYPARKOS, s.r.o.	CZK	Czech Rep	100	100
146	MALVIS s.r.o. [4]	CZK	Czech Rep	-	100
147	Multimodální Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
148	HB REAVIS PROPERTY MANAGEMENT CZ, s.r.o.	CZK	Czech Rep	100	100
149	Železniční Cargo MOŠNOV s.r.o.	CZK	Czech Rep	100	100
150	MOLDERA, a.s.	CZK	Czech Rep	100	100
151	ISTROCENTRUM CZ, a.s.	CZK	Czech Rep	100	100
152	DII Czech s.r.o.	CZK	Czech Rep	100	100
153	DNW Czech s.r.o.	CZK	Czech Rep	100	100
154	Real Estate Metronom s.r.o. [4]	CZK	Czech Rep	-	100
155	Combar, s.r.o. [4]	CZK	Czech Rep	-	100
156	Phibell s.r.o.	CZK	Czech Rep	100	100
157	Temster, s.r.o.	CZK	Czech Rep	100	100
158	PARIDES Plzeň, a.s. [4]	CZK	Czech Rep	-	100
159	PARIDES Ostrava, a.s. [4]	CZK	Czech Rep	-	100
160	KELOM s.r.o.	CZK	Czech Rep	100	100
161	Aupark Hradec Králové Bidco s.r.o. (*until 18.11.2016* as ITAPE s.r.o.) [6]	CZK	Czech Rep	-	100
162	GALIM s.r.o.	CZK	Czech Rep	100	100
163	HB Reavis Finance CZ, s.r.o. (*until 31.7.2015* as LUCASE s.r.o.)	EUR	Czech Rep	100	100
164	HubHub Czech Republic, s.r.o. (former RECLUN s.r.o.)	CZK	Czech Rep	100	100
165	Radlická ATA s.r.o.[1]	CZK	Czech Rep	100	100
166	HB Reavis Poland Sp.z o. o.	PLN	Poland	100	100
167	Polcom Investment II Sp. z o. o.	PLN	Poland	100	100
168	Polcom Investment III Sp. z o. o.	PLN	Poland	100	100
169	HB REAVIS CONSTRUCTION PL Sp. z o. o.	PLN	Poland	100	100
160	GBC C Polcom Investment XXIX Sp. z o. sp. k	PLN	Poland	100	100
170	Polcom Investment VI Sp. z o. o.	PLN	Poland	100	100
171	P14 Polcom Investment XXIII Sp. z o. sp. k	PLN	Poland	100	100
172	PSD Sp. z o.o.	PLN	Poland	100	100
173	HB Reavis Finance PL Sp. z o.o.	PLN	Poland	100	100
174	Konstruktorska BC Sp. z o.o.	PLN	Poland	100	100
175	CHM1 Sp. z o. o.	PLN	Poland	100	100
176	CHM2 Sp. z o. o.	PLN	Poland	100	100

2 Significant Accounting Policies (Continued)

2.2. Condensed Consolidated Interim Financial Statements (Continued)

Number	Subsidiaries	Functional currency	Country of incorporation	Percentage ownership interest and voting rights held 31 December 2016	Percentage ownership interest and voting rights held 31 December 2015
177	CHM3 Sp. z o. o.	PLN	Poland	100	100
178	GBC A Polcom Investment XXI Sp. z o.o. (former Polcom Investment VIII Sp. z o. o.)	PLN	Poland	100	100
179	GBC B Polcom Investment XXII Sp. z o.o. (former Polcom Investment IX Sp. z o.o.)	PLN	Poland	100	100
180	Polcom Investment X sp. z o.o.	PLN	Poland	100	100
181	Polcom Investment XI sp. z o.o.	PLN	Poland	100	100
182	Polcom Investment XII sp. z o.o.	PLN	Poland	100	100
183	Polcom Investment XIII sp. z o.o.	PLN	Poland	100	100
184	HB REAVIS Property Management sp. z o.o.	PLN	Poland	100	100
185	Polcom Investment XVI Sp. z o.o.	PLN	Poland	100	100
186	Polcom Investment XVIII Sp. z o.o.	PLN	Poland	100	100
187	Polcom Investment XIX Sp. z o.o.	PLN	Poland	100	100
188	GBC D Polcom Investment XXX Sp. z o. sp. k	PLN	Poland	100	100
189	Polcom Investment XXI Sp. z o.o.	PLN	Poland	100	100
190	Polcom Investment XXII Sp. z o.o.	PLN	Poland	100	100
191	IPOPEMA 110 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	PLN	Poland	100	100
192	HB Reavis JV Spółka Akcyjna	PLN	Poland	100	100
193	Polcom Investment XXIII Sp. z o.o.	PLN	Poland	100	100
194	Polcom Investment XXIV Sp. z o.o.	PLN	Poland	100	100
195	Polcom Investment XXV Sp. z o.o.	PLN	Poland	100	100
196	HubHub Poland sp. Z o.o. (former Polcom Investment XXVI Sp. z o.o.)	PLN	Poland	100	100
197	Polcom Investment XXVII Sp. z o.o.	PLN	Poland	100	100
198	Polcom Investment XXVIII Sp. z o.o.	PLN	Poland	100	100
199	HB Reavis Finance PL 2 Sp. z o.o.	PLN	Poland	100	100
200	Polcom Investment XXIX Sp. z o.o.	PLN	Poland	100	100
201	Polcom Investment XXX Sp. z o.o.	PLN	Poland	100	100
202	POLCOM INVESTMENT XXXI SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ W LIKWIDACJI	PLN	Poland	100	100
203	POLCOM INVESTMENT XXXII SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ W LIKWIDACJI	PLN	Poland	100	100
204	Polcom Investment XXXIII Sp. z o.o.	PLN	Poland	100	100
205	Polcom Investment XXXIV Sp. z o.o.	PLN	Poland	100	100
206	Polcom Investment XXXV Sp. z o.o.	PLN	Poland	100	100
207	Polcom Investment XXXVI Sp. z o.o.	PLN	Poland	100	100
208	Polcom Investment XXXVII Sp. z o.o.	PLN	Poland	100	100
209	Polcom Investment XXXVIII Sp. z o.o.	PLN	Poland	100	100
210	Polcom Investment XXXIX Sp. z o.o.	PLN	Poland	100	100
211	Polcom Investment XL Sp. z o.o.	PLN	Poland	100	100
212	Polcom Investment XLI Sp. z o.o.	PLN	Poland	100	100
213	Polcom Investment XLII Sp. z o.o.	PLN	Poland	100	100
214	Polcom Investment XXXIV Sp. z o.o. sp. k	PLN	Poland	100	100
215	Polcom Investment XXXI Sp. z o.o. sp. K w likwidacji [2]	PLN	Poland	-	100
216	Polcom Investment XXXII Sp. z o.o. sp. K w likwidacji[2]	PLN	Poland	-	100
217	Jamestown Sp. z o.o.	PLN	Poland	100	100
218	Jarrow Sp. z o.o.	PLN	Poland	100	100
219	Jerome Sp. z o.o. w likwidacji	PLN	Poland	100	100
220	Jesmond Sp. z o.o. w likwidacji	PLN	Poland	100	100
221	Joppa Sp. z o.o w likwidacji	PLN	Poland	100	100
	Joint ventures				
222	PHVH SOLUTIONS II, s. r. o.	EUR	Slovakia	50	50
223	TANGERACO INVESTMENTS LIMITED	EUR	Cyprus	50	50
224	West Station Investment Sp. z o. o.	PLN	Poland	71	71
225	West Station Investment 2 Sp. z o. o. (*former Polcom Investment XVII Sp. z o.o.)*	PLN	Poland	72	72

[1] *Entities established/acquired by the Group during the 6 months ended 30 June 2017*
[2] *Entities disposed of during the 6 months ended 30 June 2017 (refer to Note 24)*
[3] *Entities were part of legal mergers and subsequently renamed during the year ended 31 December 2016*
[4] *Entities were part of legal merger during the 6 months ended 30 June 2017*
[5] *Entities were liquidated during the 6 months ended 30 June 2017*
[6] *Entities deconsolidated as at 1.1.2017 as part of CE REIF Sub-Fund due to lost of control*
[7] *HB Reavis UK Ltd. and HB Reavis Construction UK Ltd., registered in England and Wales under company number 08493236 and 08917100 respectively, are claiming exemption from the requirements of the UK Companies Act 2006 (the "Act") relating to the audit of annual accounts under section 479A of the Act.*
Entities number 3 to 4 and 78, 88, 136 and 161 are part of the HB Reavis Real Estate Investment Fund (CE REIF Sub-Fund) established during the year 2011, entities number 31 to 32 and 109 to 110 are part of the HB Reavis Real Estate Investment Fund (Global REIF Sub-Fund) established during the year 2015

2 Significant Accounting Policies (Continued)

2.2. Condensed Consolidated Interim Financial Statements (Continued)

Business combinations. The acquisition method of accounting is used to account for the acquisition of subsidiaries that represent a business, except those acquired from parties under common control. A business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. At acquisition date, the Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Acquisitions of subsidiaries holding investment properties. The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost of the acquisition to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. These transactions do not give rise to goodwill.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements are presented as if the businesses had been consolidated from the beginning of the earliest period presented or, if later, the date when the consolidated entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these condensed consolidated interim financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these condensed consolidated interim financial statements as an adjustment within equity.

Joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Significant Accounting Policies (Continued)

2.2. Condensed Consolidated Interim Financial Statements (Continued)

Disposals of subsidiaries or joint ventures. When the Group ceases to have control or joint control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss, where appropriate.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

2.3. Foreign Currency Transactions and Translation

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all the Group's entities is their local currency, except bonds issuance entities that are considered an extention of the Company and therefore have EUR as their functional currency. These condensed consolidated interim financial statements are presented in millions of euro (EUR), which is the Group's presentation currency.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items measured at fair value in a foreign currency, including properties or equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

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

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

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

2 Significant Accounting Policies (Continued)

2.4. Property, Plant and Equipment

All property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost. Cost includes expenditure that is directly attributable to the acquisition of the items of property plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation. The depreciation of property, plant and equipment starts in the month when the property, plant and equipment is available for use. Property, plant and equipment is depreciated in line with the approved depreciation plan using the straight-line method. Monthly depreciation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the property, plant and equipment.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such part.

Buildings include mainly administrative offices and premises used by the Group management. Equipment, fixtures and fittings include mainly hardware, servers, telephone exchanges, remote control equipment, office furniture and others. Motor vehicles include the Group’s passenger cars. This class also included the bus fleet of the Group’s public transportation business until the disposal of the Group’s public transportation subsidiary in 2015.

	Useful lives in years
Buildings	30 years
Machinery, equipment, fixtures and fittings	4 to 6 years
Vehicles and other assets	6 to 8 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the conditions expected at the end of their useful life. The residual value of an asset is nil or its scrap value if the Group expects to use the asset until the end of its physical life.

Land and assets under construction are not depreciated.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.7).

Items that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

2.5. Investment Property

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property comprises freehold land, freehold commercial properties (retail, office and logistics) and land plots held under operating and finance leases. Land plots held under operating lease are classified and accounted for as investment property when the definition of investment property is met. In such cases the related operating leases are accounted for as if they were finance leases.

Investment property is initially valued at historical cost including related transaction costs. Costs include the works performed, the costs of staff directly related to technical supervision and project management on the basis of time spent up to the date of completion.

After initial recognition at cost, the investment property, including property under construction or development for future use as investment property, is carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuation reports as of the balance sheet date are prepared by independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

2 Significant Accounting Policies (Continued)

2.5. Investment property (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the condensed consolidated interim financial statements. Transaction costs, such as estimated agent's and legal and accounting fees and transfer taxes are not deducted for the purposes of valuation of investment property in these condensed consolidated interim financial statements irrespective whether or not they form part of the described valuations.

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with these expenditures will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the consolidated income statement during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in profit or loss as "Revaluation gain/(loss) on investment properties". Investment properties are derecognised when they have been disposed of.

If an item of property, plant and equipment becomes an investment property because its use has changed, any revaluation gain resulting from a difference between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income and accumulated in a revaluation reserve in equity, until the asset's disposal when the revaluation reserve is reclassified to retained earnings.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value.

Where an investment property undergoes a change in use evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

The Group classifies the investment property for the presentation purposes as investment properties in use or vacant and investment properties under development based on the stage of completion of the individual property construction and progress of leasing space to tenants. Consistently with classification for purposes of segmental analysis (see Note 6), the Group classifies a property as "in use or vacant" from the end of the accounting period in which legal requirements have been met. The Group also presents the value of investment properties and related income and expenses by following types of properties – office, retail, and industrial – classified by the prevailing function of the property for its tenants.

2.6. Intangible Assets

Goodwill. See Note 0 for the accounting policy on goodwill. Goodwill is not amortised but is tested for impairment at the end of each annual reporting period.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include externally acquired computer software licences. Intangible assets also included public transportation licence until the disposal of the Group's public transportation subsidiary in 2015.

Intangible assets are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the asset can be measured reliably. After initial recognition, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on the straight-line basis over their useful lives:

	Useful lives in years
Software and software licences	5 years
Licence to operate public transportation acquired in a business combination	10 years

2 Significant Accounting Policies (Continued)

2.6. Intangible assets (Continued)

The amortisation of an intangible asset starts in the month when the intangible asset is available for use. Intangible assets are depreciated in line with the approved depreciation plan using the straight-line method. Amortisation charge is determined as the difference between acquisition costs and residual value, divided by estimated useful life of the intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Residual value of intangible assets is assumed to be zero unless (a) there is a commitment by a third party to purchase the asset at the end of its useful life, or (b) there is an active market for the asset and residual value can be determined by the reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.7. Impairment of Non-Financial Assets

Goodwill and intangible assets not yet available for use are not subject to amortization and are tested for impairment annually. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are individually identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8. Financial Instruments

Financial assets. Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables, derivatives, and available-for-sale financial assets. During 2015, the Group also had financial investments held for trading. Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Derivatives and investments held for trading are measured at fair value at each end of the reporting period with changes in value recognised in profit or loss. Available for sale financial assets are recognised at fair value with revaluation gains or losses representing the difference between amortised cost and fair value recognised in other comprehensive income until the asset is derecognised or impaired. Interest income on the available-for-sale assets includes effects of changes in cash flow estimates of earn-out receivables; hence, the fair value changes recognised in other comprehensive income were insignificant.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less.

2 Significant Accounting Policies (Continued)

2.8. Financial Instruments (Continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, unless the asset is carried at fair value through profit or loss as fair value already reflects counterparty non-performance risk. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is included in other operating expenses.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired receivables are written off when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Financial liabilities. Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method (see Note 2.15 for the accounting policy on Borrowings). Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted as its impact would be insignificant.

2.9. Leases

IAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use the asset for an agreed period of time.

Operating leases. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Assets leased out under operating leases are shown under investment property heading in the consolidated statement of financial position (Note 9). See Note 2.19 for the policies on recognition of rental income. Tenant deposits securing lease payments are accounted for as financial liabilities carried at amortised cost (Note 2.8).

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term with the exception of the operating leases for land classified as investment property; such leases are accounted for as finance leases.

Finance leases and property interests held under operating leases. Where the Group is a lessee in a lease (a) which transferred substantially all the risks and rewards incidental to ownership to the Group or (b) the Group elected to classify a property interest held under an operating lease as investment property and therefore accounts for the lease as if it was a finance lease, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the property interest or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the consolidated profit and loss over the lease period using the effective interest method. The investment properties acquired under finance leases are carried at fair value.

2.10. Current and Deferred Income Taxes

Income taxes have been provided for in the condensed consolidated interim financial statements in accordance with applicable legislation enacted or substantively enacted by the financial position date and on entity by entity basis. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in equity or in other comprehensive income.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

2 Significant Accounting Policies (Continued)

2.10. Current and Deferred Income Taxes (Continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit or loss. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the respective reporting period and are expected to apply to the period when the temporary differences will reverse or the tax losses carry forward will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.
The carrying value of Group's investment property is assumed to be realised by sale. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated statement of financial position regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax considerations arising from recovery through sale.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.11. Inventories

Inventories represent land expected to be developed into residential property in line with the zoning and other regulatory requirements for the Group's projects and land held for disposal in the normal course of business. Inventories are presented as current because of the term of the operating cycle, but their carrying amount is expected to be recovered after 12 months. Inventories are recorded at the lower of cost and net realisable value. The cost of inventories comprises the cost of acquisition, and construction and other development costs incurred. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.12. Construction Contracts

The Group is involved on an ongoing basis in construction contracts. Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.13. Share Capital and Share Premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium.

Share premium represents the excess of contributions received and receivable over the nominal value of shares issued.

2 Significant Accounting Policies (Continued)

2.14. Dividends and Other Distributions to Owners

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or at the end of the reporting period. Dividends are disclosed when they are declared after the reporting period but before the condensed consolidated interim financial statements are authorised for issue.

2.15. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, borrowings are carried at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss using the effective interest method. The Group does not capitalise interest related to qualifying assets that are carried at fair value, including investment properties. Accordingly, interest costs on borrowings are expensed as incurred.

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

2.16. Trade and Other Payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17. Provisions for Liabilities and Charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.18. Uncertain Tax Positions

The Group's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

2.19. Revenue Recognition

Rental and similar income from investment property includes rental income, service charges and management charges from properties.

Rental income is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. This applies to discounted rent periods and stepped rents. The resulting receivable is recognised within non–current assets or trade and other receivables depending on expected collection pattern. In determining the fair value of the related investment property, the Group does not double-count assets; the fair value of such investment property excludes accrued operating lease income because it is recognised as a separate asset. The contingent payments under lease agreements depending on the agreed level of sales turnover of tenants are recognized as income in the period when earned because the Group is unable to reliably estimate the future sales turnover of tenants in order to be able to recognise such expected contingent rents on a straight line basis over the lease term.

Sales of services and management charges are recognised in the reporting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT and discounts. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

2 Significant Accounting Policies (Continued)

2.19. Revenue Recognition (Continued)

Revenue from public transportation is recognised when service is provided. Local government subsidies towards the cost of public transportation are deducted in reporting the costs that they are intended to compensate. Refer to Note 23.

Interest income is recognised on a time-proportion basis using the effective interest method.

2.20. Employee Benefits

Wages, salaries, contributions to the state and private pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

Certain senior managers are entitled to obtain payments from the Group's shareholders based on the net asset value of the Group. As the obligation was incurred by shareholders and not by the Group, and is unrelated to the entity's share price, the Group did not recognise these employee benefits as its expenses in profit or loss.

2.21. Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to employee benefits, bus fleet amortisation, spent fuel and other costs of operating public transportation are recognised as other operating income in profit and loss in the same period as the costs that they are intended to compensate.

2.22. Other Operating Expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis).

2.23. Non-current Assets Classified as Held for Sale

Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified. Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

2.24. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of Managers of the Company.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the condensed consolidated interim financial statements. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties. The fair value estimates of 83.7% of investment properties (31 December 2016: 99.2%) were determined by the Group having received valuation advice from international valuation companies which have experience in valuing properties of similar location and characteristics. The remaining properties were valued on a basis of broker quotes or management estimates. The fair value of investment properties is estimated based on the income capitalisation method, where the value is estimated from the expected future benefits to be generated by the property in the form of rental income streams. The method considers net income generated by existing or comparable property, capitalised to determine the value for property which is subject to the valuation. The principal assumptions underlying the estimation of the fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; appropriate discount rates; and in case of properties under development, future constructions costs and market developers’ profits. These valuations are regularly compared to actual market data and actual transactions by the Group and those reported by the market. For further details refer to Note 30.

The principal assumptions made, and the impact on the aggregate valuations of reasonably possible changes in these assumptions, are as follows:

- Rental charges per square meter and month have been calculated for each property on a basis of actually contracted and prevailing market rates as estimated by the qualified valuers. Should the rental levels increase or decrease by 10% the carrying value of investment property would be higher or lower by EUR 61.5 million (2016: EUR 56.5 million).

- The income capitalisation rate (yield) across the portfolio was assumed to be from 4.50% to 8.50%, or 5.15% on average (2016: 4.50% to 8.50%, or 6.18% on average). Should this capitalisation rate increase / decrease by 25 basis points, the carrying value of the investment property would be EUR 85.1 million lower or EUR 93.8 million higher (2016: EUR 55.6 million lower or EUR 60.3 million higher).

Income taxes. The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes, in particular in the area of transfer pricing. There are some transactions and calculations for which the ultimate tax determination is uncertain, therefore tax liability is recognised for exposures deemed probable. 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.

The calculation of deferred tax on investment properties is not based on the fact that they might be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

The Company is incorporated in Luxembourg. The European Commission (EC) has announced an investigation into whether certain income tax legislation constitutes unlawful ‘state aid’. Such state aid may come in two key forms: (i) a tax measure or regime which provides a selective advantage to an entity and (ii) an individual concession granted to a taxpayer (e.g. through the use of a tax ruling or via a settlement). Management believe that their tax positions are sustainable, but it is not possible to reliably quantify the impact, if any, of these developments on the Group’s future financial position or results.

Forward sale of investment property. On 15 July 2016, the Group concluded a forward sale of its 33 Central project, London, UK. The Group originally aimed to hold the project for an unspecified period of time to earn rental income, however, since it was presented by a favourable offer from a reputable bank, the Group decided to conclude a forward sale arrangement with the bank. The Group is responsible for completion of the construction of the property based on the base building definition to the standard of Grade A office accommodation in the City of London by 30 September 2017 at the latest. The Group applied professional judgement in determining (a) whether it lost control over the property holding entity TRITRI House S.à r.l. under the forward sale arrangement and (b) subsequent accounting up to completion of the property.

The Group concluded that it lost control over TRITRI House S.à r.l. because the contractual arrangement limits the power of the Group over this investee since any matters that are not pre-determined in the agreements require approval of the buyer.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

While the contracts state that the buyer should not unreasonably delay, withhold, or make subject to condition its consent (with e.g. amending any contracts of TRITRI House S.à r.l. or disposing or acquiring any asset by TRITRI House S.à r.l.), management consider that this is a soft condition and finding a reasonable cause for withholding a consent will be possible for the buyer for decisions about substantive activities, considering the purpose of the arrangement. The most relevant activities affecting returns of TRITRI House S.à r.l. are to lease or sell the property once completed and these matters are controlled by the buyer.

An advance of 10% of the headline price was paid upfront. This remainder of the headline price is payable upon completion of the property and is subject to working capital, defects holdbacks and indebtedness adjustments, applied upon transfer of legal ownership of the property holding entity, TRITRI House S.à r.l.

The economic substance of the transaction is that the Group ceased owning the property development project and instead agreed with the buyer a construction contract to complete and deliver a building to the buyer's specifications. Management considered guidance in IFRIC 15, *Agreements for the Construction of Real Estate*, in determining that the above arrangement to comple the building is a construction contract in terms of IFRS guidance. This required application of professional judgement, but considering that (a) significant costs were required to complete the building that was under development as of 15 July 2016 and (b) the contracts specify in detail the base building definition specifically negotiated with the bank prior to 15 July 2016, management concluded that the conditions in IFRIC 15 for construction contracts accounting were met, eg because the purchaser was able to specify major changes to the construction in progress rather than just minor variations to the design.

On 15 July 2016, upon conclusion of the transaction, the Group recognised amounts due from customers for contract work of EUR 216.6 million and derecognised the fair value of investment property under development. Refer to Notes 9 and 14. After 15 July 2016, the Group recognised construction contract revenues on a percentage of completion basis. Total contract revenues to be recognized over time until completion of the building is estimated at EUR 85.1 million.

4 Adoption of New or Revised Standards and Interpretations

The Group has applied the following standards and amendments for the first time for its reporting period commencing on 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 cycle - amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

The above amendments had not any material impact on the Group. Further, any other standards that are normally effective from 1 January 2017 were either already early adopted by the Group in prior periods or had no impact.

5 New Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods commencing on 1 January 2017 and have not been early adopted by the Group:

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The entity expects that impairment provisions for receivables will increase upon adoption of IFRS 9 because the standard introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. Under the new rules the Group will have to record an immediate loss equal to lifetime expected loss on initial recognition of its trade receivables that are not overdue and are not credit impaired. A reasonable estimate of this increase in provisions cannot be made because it is impossible to reliably forecast what forward looking information, including macro-economic forecasts and probabilities assigned to alternative macro-economic outlooks, will prevail at 1 January 2018, when the effects of adopting the standard will be recognised against opening balance of retained earnings. The Group is currently assessing the impact of the new standard on its financial statements.

5 New Accounting Pronouncements (Continued)

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

***Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018*).** The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the amendment on its financial statements.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements. This standard has not yet been endorsed by the EU.

The following standards, interpretations and amendments are not expected to have any material impact on the Group's condensed consolidated interim financial statements:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective outside the European Union for annual periods beginning on or after 1 January 2016).* This standard will not be adopted by the European Union.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).* The EU endorsement is postponed until after the IASB determines the effective date of this amendment.
- Amendments to IFRS 2, Share-based Payment* (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4* (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 Cycle* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.
- IFRIC 23 Uncertainty over Income Tax Treatments* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

* These new standards, amendments and interpretations have not been endorsed by the European union yet.

6 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Board of Managers of the Company.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is managing its business operations on the basis of the following segments:

Asset Management **–** representing management of income generating properties (properties in use or vacant) developed by the Group or acquired with no major development expected.

Development in Realisation **–** representing management of activities connected with construction, marketing and leasing activities. A property is reclassified from Development in Realisation to Asset Management at the end of the accounting period in which the property has been commissioned for its intended use and an approbation has been carried out. This means that the revenues, costs, including the revaluation gains or losses related to the year when property reaches the described criteria, are included within Development in Realisation, whereas the completed property is shown on the balance sheet as of the last day of such period as property "in use or vacant" under Asset Management business.

Development in Preparation **–** representing management of activities including acquisition of land and concept design and permitting until the construction commencement. A property is reclassified from Development in Preparation to Development in Realisation at the end of the accounting period in which the construction of the property started.

Investment Management **–** representing management of activities related to management of third party investment in properties managed by the Group.

Non-Core **–** representing management of land bank items designated as Non-Core properties of the Group.

Cash **–** representing management of entities that are set up for concentration of cash for its further investments and providing loans to other entities within consolidated group.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different activities of the Group. They are managed separately because each business unit requires different skill sets, product and market, procurement and human resource strategies.

Segment financial information reviewed by the Board of Managers includes rental and similar income from Asset Management business less directly attributable costs associated with properties that equal to Net Operating Income (NOI). The Board of Managers also reviews the change in fair value of properties. With respect to Development in Preparation segment, the Board reviews acquisition opportunities and submits bids for land and properties and oversees property design, permitting and zoning. With respect to Development in Realisation segment, the Board reviews construction budgets and property marketing and letting activities at the end of the development cycle.

With respect to Investment Management segment, Management reviews opportunities for transfer of further subsidiaries into this segment that would contribute to development and extend of portfolio offered for external investors.

The land bank was internally reported to management as a non-core segment.

(c) Measurement of operating segment profit or loss, assets and liabilities

The Board reviews financial information prepared based on International Financial Reporting Standards as adopted by the European Union. The Board evaluates performance of each segment based on profit before tax and net assets value.

The Group allocates costs to segments based on specific identification of entities that belong to particular segments. Direct operating expenses arising from investment property are allocated on a basis of appropriate cost driver (e.g. MWh of electricity spent for electricity related costs). Transactions of the subsidiaries are allocated to relevant segment based on the substance of the transactions (e.g. expenses of subsidiary that supply utilities to other subsidiaries are allocated to segment for which the utility was purchased) unless it is not possible to allocate them to explicit segment category and they remain unallocated.

6 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

The segment profit and loss information for 6 months ended 30 June 2017 is as follows:

In millions of EUR	Note	Asset Manage-ment	Develop-ment in Realisa-tion	Develop-ment in Prepara-tion	Investment Manage-ment	Non Core	Cash	Unallo-cated	Total
Rental and similar income from investment property									
- Office		16.5	1.6	1.1	3.3	-	-	-	**22.5**
- Retail		-	-	0.1	-	-	-	-	**0.1**
- Industrial		1.7	-	-	-	0.6	-	-	**2.3**
	20	**18.2**	**1.6**	**1.2**	**3.3**	**0.6**	**-**	**-**	**24.9**
Direct operating expenses arising from investment property									
- Office		(7.5)	(0.5)	(0.4)	-	-	-	-	**(8.4)**
- Retail		-	-	-	-	-	-	-	**-**
- Industrial		(0.2)	-	-	-	(0.6)	-	-	**(0.8)**
	21	**(7.7)**	**(0.5)**	**(0.4)**	-	**(0.6)**	**-**	**-**	**(9.2)**
Net operating income from investment property		**10.5**	**1.1**	**0.8**	**3.3**	**-**	**-**	**-**	**15.7**
Revaluation gain/(loss) on investment property									
- Office		(5.6)	13.1	(0.6)	0.6	(0.8)	-	-	**6.7**
- Retail		-	-	9.6	-	-	-	-	**9.6**
- Industrial		(0.4)	-	(1.7)	-	-	-	-	**(2.1)**
Subtotal	9	(6.0)	13.1	7.3	0.6	(0.8)	-	-	**14.2**
Share of profit or loss of joint ventures		11.8	-	-	-	-	-	-	**11.8**
Revaluation gain/(loss) on investment property, including joint ventures		**5.8**	**13.1**	**7.3**	**0.6**	**(0.8)**	**-**	**-**	**26.0**
Interest expense		(2.3)	(5.6)	(0.9)	(0.6)	-	-	(1.2)	**(10.6)**
Other (expenses)/ revenues		(6.5)	(8.5)	(3.8)	16.3	(2.2)	1.8	8.3	**5.4**
Segment result		**7.5**	**0.1**	**3.4**	**19.6**	**(3.0)**	**1.8**	**7.1**	**36.5**

6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 30 June 2017 is as follows:

In millions of EUR	Note	Asset Mana-gement	Develop ment in Reali-sation	Develop ment in Prepa-ration	Invest-ment Manage ment	Non Core	Cash	Unallo-cated	Total
Investment property	9								
- Office		555.0	383.5	226.9	120.9	9.9	-	-	**1,296.2**
- Retail		-	-	72.2	-	0.1	-	-	**72.3**
- Industrial		-	-	-	-	33.3	-	-	**33.3**
- Joint ventures		59.7	-	-	-	-	-	-	**59.7**
- Investment property held for sale	15	243.7	-	-	-	-	-	-	**243.7**
Deferred tax asset		1.4	2.2	0.3	1.2	-	-	-	**5.1**
Amount due from customers for contract work	14	-	146.3	-	-	-	-	-	**143.6**
Other unallocated assets		-	-	-	-	-	131.5	160.3	**291.8**
Total assets		**859.8**	**532.0**	**299.4**	**122.1**	**43.3**	**131.5**	**160.3**	**2,148.4**
Borrowings									
- non-current	18	(180.6)	(223.2)	(35.4)	(62.2)	(7.5)	-	(5.0)	**(513.9)**
- current	7, 18	(1.9)	(34.2)	(9.2)	(2.5)	(0.3)	-	(130.1)	**(178.2)**
- included as held for sale	15	(153.8)	-	-	-	-	-	-	**(153.8)**
Deferred tax liability		-	-	-	-	-	-	(55.6)	**(55.6)**
Other unallocated liabilities		-	-	-	-	-	-	(77.8)	**(77.8)**
Total liabilities		**(336.3)**	**(257.4)**	**(44.6)**	**(64.7)**	**(7.8)**	**-**	**(268.5)**	**(979.3)**
Segment net asset value		**523.5**	**274.6**	**254.8**	**57.4**	**35.5**	**131.5**	**(108.2)**	**1,169.1**

The capital expenditures analysed by segment for the 6 months ended 30 June 2017 are as follows:

In millions of EUR	Note	Asset Mana-gement	Develop ment in Realisa-tion	Develop ment in Prepa-ration	Invest-ment Mana-gement	Non Core	Cash	Unallo-cated	Total
Purchases of investment property	9	285.2	-	-	-	-	-	**-**	**285.2**
Construction costs related to investment property	9	16.0	32.4	14.2	-	10.6	-	**-**	**73.2**
Construction costs related to joint ventures		0.6	-	-	-	-	-	**-**	**0.6**
Contruction costs related to contract works		-	22.6	-	-	-	-	**-**	**22.6**
Total investments		**301.8**	**55.0**	**14.2**	**-**	**10.6**	**-**	**-**	**381.6**
Sale of investment property	9, 24	-	-	(1.2)	(183.7)	-	-	**-**	**(184.9)**
Sale of joint venture		-	-	-	-	-	-	**-**	**-**
Total divestments		**-**	**-**	**(1.2)**	**(183.7)**	**-**	**-**	**-**	**(184.9)**

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses, non-current assets and capital expenditures analysed by country for 6 months ended 30 June 2017 are as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallo-cated	Total
Rental and similar income	20	11.5	5.3	6.3	-	1.8	-	-	**24.9**
Direct operating expenses	21	(5.6)	(1.2)	(2.2)	-	(0.2)	-	-	**(9.2)**
Net operating income from investment property		**5.9**	**4.1**	**4.1**	**-**	**1.6**	**-**	**-**	**15.7**
Revaluation gain	9	19.1	(9.1)	11.8	0.8	(8.4)	-	-	**14.2**
Share of profit of joint ventures		-	-	11.8	-	-	-	-	**11.8**
Interest expense		(4.9)	(1.8)	(3.6)	(0.1)	(0.2)	-	-	**(10.6)**
Other (expenses)/revenues		(5.0)	6.0	2.2	(1.3)	2.8	0.7	-	**5.4**
Profit before income tax		**15.1**	**(0.8)**	**26.3**	**(0.6)**	**(4.2)**	**0.7**	**-**	**36.5**
Investment property in use or vacant	9	250.2	76.0	70.5	-	279.2	-	-	**675.9**
Investment property under development	9	214.5	49.5	279.8	57.9	124.2	-	-	**725.9**
Investment in joint venture	10	2.3	-	57.4	-	-	-	-	**59.7**
Other non-current assets		8.5	3.7	15.5	0.1	3.8	5.8	-	**40.3**
Total non-current assets		**475.5**	**129.2**	**423.2**	**58.0**	**407.2**	**5.8**	**2.9**	**1,501.8**
Non-current assets classified as held for sale	15	-	34.5	209.2	-	-	-	-	**243.7**
Total non-current assets, including held for sale		**475.5**	**163.7**	**632.4**	**58.0**	**407.2**	**5.8**	**2.9**	**1,745.5**
Cash and cash equivalents	16	24.7	4.4	19.5	2.7	7.6	72.6	-	**131.5**
Amount due from customers for contract work		-	-	-	-	146.3	-	-	**146.3**
Other unallocated assets		-	-	-	-	-	-	125.1	**125.1**
Total assets		**500.2**	**168.1**	**651.9**	**60.7**	**561.1**	**78.4**	**128.0**	**2,148.4**
Borrowings	18								
- non-current		(290.0)	(110.3)	(73.8)	-	(39.8)	-	-	**(513.9)**
- current		(135.1)	(1.0)	(34.1)	(8.0)	-	-	-	**(178.2)**
Liabilities associated with non-current assets held for sale		-	(16.3)	(137.5)	-	-	-	-	**(153.8)**
Deferred income tax liability		-	-	-	-	-	-	(55.6)	**(55.6)**
Other unallocated liabilities		-	-	-	-	-	-	(77.8)	**(77.8)**
Total liabilities		**(425.1)**	**(127.6)**	**(245.4)**	**(8.0)**	**(39.8)**	**-**	**(133.4)**	**(979.3)**
Segment net asset value		**75.1**	**40.5**	**406.5**	**52.7**	**521.3**	**78.4**	**(5.4)**	**1,169.1**
Purchases of investment property (incl. non-cash)	9	-	-	-	-	285.2	-	-	**285.2**
Construction costs related to investment property	9	20.2	13.6	11.5	7.9	20.0	-	-	**73.2**
Construction costs related to joint ventures		-	-	0.6	-	-	-	-	**0.6**
Construction costs related to construction work		-	-	-	-	22.6	-	-	**22.6**
Total investments		**20.2**	**13.6**	**12.1**	**7.9**	**327.8**	**-**	**-**	**381.6**
Sale of investment property	9, 24	(102.6)	(82.3)	-	-	-	-	-	**(184.9)**
Total divestments		**(102.6)**	**(82.3)**	**-**	**-**	**-**	**-**	**-**	**(184.9)**

6 Segment Analysis (Continued)

The segment profit and loss information for the 6 months ended 30 June 2016 is as follows:

In millions of EUR	Note	Asset Manage-ment	Develop-ment in Realisa-tion	Develop-ment in Prepara-tion	Investment Management	Non Core	Cash	Unallo-cated	Total
Rental and similar income from investment property									
- Office		16.6	0.1	1.3	9.7	-	-	-	**27.7**
- Retail		-	-	1.3	1.8	-	-	-	**3.1**
- Industrial		3.8	-	-	1.7	0.1	-	-	**5.6**
	20	**20.4**	**0.1**	**2.6**	**13.2**	**0.1**	**-**	**-**	**36.4**
Direct operating expenses arising from investment property									
- Office		(5.5)	(0.2)	(0.5)	(2.5)	-	-	-	**(8.7)**
- Retail		-	-	(0.5)	(0.7)	-	-	-	**(1.2)**
- Industrial		(0.8)	-	-	(0.4)	(0.1)	-	-	**(1.3)**
	21	**(6.3)**	**(0.2)**	**(1.0)**	**(3.6)**	**(0.1)**	**-**	**-**	**(11.2)**
Net operating income from investment property		**14.1**	**(0.1)**	**1.6**	**9.6**	**-**	**-**	**-**	**25.2**
Revaluation gain/(loss) on investment property									
- Office		31.8	7.5	9.7	(0.8)	-	-	-	**48.2**
- Retail		-	16.4	1.7	0.3	-	-	-	**18.4**
- Industrial		-	-	-	(2.0)	(1.1)	-	-	**(3.1)**
Subtotal	9	31.8	23.9	11.4	(2.5)	(1.1)	-	-	**63.5**
Share of profit or loss of joint ventures		0.1	3.2	-	-	-	-	-	**3.3**
Revaluation gain/(loss) on investment property, including joint ventures		**31.9**	**27.1**	**11.4**	**(2.5)**	**(1.1)**	**-**	**-**	**66.8**
Interest expense		(3.8)	(0.2)	(3.6)	(4.9)	-	-	(0.9)	**(13.4)**
Other (expenses)/ revenues		(1.2)	(5.3)	(6.6)	-	(0.6)	(0.8)	(51.6)	**(66.1)**
Segment result		**41.0**	**21.5**	**2.8**	**2.2**	**(1.7)**	**(0.8)**	**(52.2)**	**12.5**

6 Segment Analysis (Continued)

The segment information on segment assets and liabilities as of 31 December 2016 is as follows:

In millions of EUR	Note	Asset Mana-gement	Develop ment in Reali-sation	Develop ment in Prepa-ration	Invest-ment Manage ment	Non Core	Cash	Unallo-cated	Total
Investment property	9								
- Office		264.1	136.9	401.0	220.1	-	-	-	**1022.1**
- Retail		-	-	66.7	81.0	0.1	-	-	**147.8**
- Industrial		-	-	1.5	-	33.2	-	-	**34.7**
- Joint ventures		29.1	17.4	-	-	-	-	-	**46.5**
- Investment property held for sale	15	220.1	-	1.7	-	-	-	-	**221.8**
Deferred tax asset		-	-	-	-	-	-	4.4	**4.4**
Amount due from customers for contract work		-	221.3	-	-	-	-	-	**221.3**
Other unallocated assets		-	-	-	-	-	308.0	105.7	**413.7**
Total assets		**513.3**	**375.6**	**470.9**	**301.1**	**33.3**	**308.0**	**110.1**	**2,112.3**
Borrowings									
- non-current	18	(155.2)	(132.9)	(36.7)	(235.1)	-	-	(5.0)	**(564.9)**
- current	18	(13.2)	(33.3)	(2.8)	(7.6)	-	-	(34.4)	**(91.3)**
- included as held for sale	15	(108.9)	-	(4.9)	-	-	-	-	**(113.8)**
Deferred tax liability		-	-	-	-	-	-	(69.9)	**(69.9)**
Other unallocated liabilities		-	-	-	-	-	-	(135.7)	**(135.7)**
Total liabilities		**(277.3)**	**(166.2)**	**(44.4)**	**(242.7)**	**-**	**-**	**(245.0)**	**(975.6)**
Segment net asset value		**236.0**	**209.4**	**426.5**	**58.4**	**33.3**	**308.0**	**(134.9)**	**1,136.7**

The capital expenditures analysed by segment for 6 months ended 30 June 2016 are as follows:

In millions of EUR	Note	Asset Mana-gement	Develop ment in Realisa-tion	Develop ment in Prepa-ration	Invest-ment Mana-gement	Non Core	Cash	Unallo-cated	Total
Purchases of investment property	9	-	-	71.2	-	-	-	**-**	**71.2**
Construction costs related to investment property	9	22.2	70.6	13.2	0.4	-	-	**-**	**106.4**
Total investments		**22.2**	**70.6**	**84.4**	**0.4**	**-**	**-**	**-**	**177.6**
Sale of investment property	9, 24	(87.3)	-	(0.9)	(28.0)	(4.9)	-	**-**	**(121.1)**
Total divestments		**(87.3)**	**-**	**(0.9)**	**(28.0)**	**(4.9)**	**-**	**-**	**(121.1)**

6 Segment Analysis (Continued)

Geographical information. Revenue, expenses and capital expenditures analysed by country for 6 months ended 30 June 2016 and geographical information about non-current assets as of 31 December 2016 were as follows:

In millions of EUR	Note	Slovakia	Czech Republic	Poland	Hungary	United Kingdom	Other countries	Unallo-cated	Total
Rental and similar income	20	18.6	5.2	11.8	0.6	0.2	-	-	**36.4**
Direct operating expenses	21	(6.3)	(1.2)	(3.4)	(0.3)	-	-	-	**(11.2)**
Net operating income from investment property		**12.3**	**4.0**	**8.4**	**0.3**	**0.2**	**-**	**-**	**25.2**
Revaluation gain	9	(7.0)	35.1	52.7	(5.0)	(12.3)	-	-	**63.5**
Share of profit of joint ventures		0.1	-	3.2	-	-	-	-	**3.3**
Interest expense		(4.8)	(1.2)	(2.9)	(1.2)	-	(3.3)	-	**(13.4)**
Other (expenses)/revenues		(1.6)	(3.1)	(1.3)	0.3	(5.9)	(14.6)	(39.9)	**(66.1)**
Profit before income tax		**(1.0)**	**34.8**	**60.1**	**(5.6)**	**(18.0)**	**(17.9)**	**(39.9)**	**12.5**
Investment property in use or vacant	9	336.5	156.7	71.9	-	-	-	-	**565.1**
Investment property under development	9	189.8	40.3	244.3	49.1	116.0	-	-	**639.5**
Investment in joint venture	10	2.3	-	44.2	-	-	-	-	**46.5**
Other non-current assets		9.9	2.5	15.7	0.3	3.1	5.5	-	**37.0**
Total non-current assets		**538.5**	**199.5**	**376.1**	**49.4**	**119.1**	**5.5**	**-**	**1,288.1**
Non-current assets classified as held for sale	15	-	35.6	186.2	-	-	-	-	**221.8**
Total non-current assets, including held for sale		**538.5**	**235.1**	**562.3**	**49.4**	**119.1**	**5.5**	**-**	**1,509.9**
Cash and cash equivalents	16	80.1	12.8	58.6	0.5	11.8	144.2	-	**308.0**
Amount due from customers for contract work		-	-	-	-	221.3	-	-	**221.3**
Other unallocated assets		-	-	-	-	-	-	73.1	**73.1**
Total assets		**618.6**	**247.9**	**620.9**	**49.9**	**352.2**	**149.7**	**73.1**	**2,112.3**
Borrowings	18								
- non-current		(361.0)	(137.1)	(59.8)	(7.0)	-	-	-	**(564.9)**
- current		(43.4)	(5.2)	(40.3)	(2.4)	-	-	-	**(91.3)**
Liabilities associated with non-current assets held for sale		-	(22.1)	(91.7)	-	-	-	-	**(113.8)**
Deferred income tax liability		-	-	-	-	-	-	(69.9)	**(69.9)**
Other unallocated liabilities	-	-	-	-	-	-	-	(135.7)	**(135.7)**
Total liabilities		**(404.4)**	**(164.4)**	**(191.8)**	**(9.4)**	**-**	**-**	**(205.6)**	**(975.6)**
Segment net asset value		**214.2**	**83.5**	**429.1**	**40.5**	**352.2**	**149.7**	**(132.5)**	**1,136.7**
Purchases of investment property (incl. non-cash)	9	-	3.6	0.1	11.6	55.9	-	-	**71.2**
Construction costs related to investment property	9	27.8	19.0	20.6	31.5	7.5	-	-	**106.4**
Construction costs related to joint ventures		-	-	-	-	-	-	-	-
Construction costs related to construction work		-	-	-	-	-	-	-	-
Total investments		**27.8**	**22.6**	**20.7**	**43.1**	**63.4**	**-**	**-**	**177.6**
Sale of investment property	9, 24	(63.8)	(8.3)	-	(49.0)	-	-	-	**(121.1)**
Total divestments		**(63.8)**	**(8.3)**	**-**	**(49.0)**	**-**	**-**	**-**	**(121.1)**

7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or has joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent and ultimate controlling party are disclosed in Note 1.

Key management of the Group consists of 13 senior managers (2016: 13). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2017 are detailed below.

At 30 June 2017, the outstanding balances with related parties are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Trade and other receivables (Note 13)	6.7	0.6	46.0	**53.3**
Financial assets	0.7	-	-	**0.7**
Loans and receivables – non-current (Note 11)	2.0	0.6	-	**2.6**
Other non-current assets (Note 12)	-	-	5.8	**5.8**
Trade and other payables – current (Note 19)	(1.1)	(0.5)	(12.1)	**(13.7)**
Other payables non-current (Note 19)	(0.7)	-	-	**(0.7)**

The income and expense items with related parties for the 6 months ended 30 June 2017 are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Revenue from services rendered	0.8	-	-	**0.8**
Revenue from construction contracts	-	1.5	0.7	**2.2**
Rental income	0.9	-	-	**0.9**
Rental expense	(0.3)	-	-	**(0.3)**
Other services	(0.5)	(0.5)	(0.1)	**(1.1)**
Short-term employee benefits (salaries)	-	(1.1)	-	**(1.1)**
Long-term employee benefits (social security costs)	-	(0.2)	-	**(0.2)**
Interest income	0.2	-	-	**0.2**
Interest expense	(0.6)	-	-	**(0.6)**

At 31 December 2016, the outstanding balances with related parties are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Trade and other receivables (Note 13)	4.4	0.6	38.3	**43.3**
Loans and receivables – non-current (Note 11)	1.7	0.5	-	**2.2**
Other non-current assets (Note 12)	-	-	6.5	**6.5**
Trade and other payables – current (Note 19)	(1.1)	(2.1)	(12.7)	**(15.9)**
Other payables non-current (Note 19)	(0.7)	-	-	**(0.7)**

The income and expense items with related parties for the 6 months ended 30 June 2016 are as follows:

In millions of EUR	**Entities under common control**	**Key management personnel**	**Joint ventures**	**Total**
Revenue from services rendered	0.2	-	-	**0.2**
Revenue from construction contracts	-	2.0	35.4	**37.4**
Rental income	0.8	-	-	**0.8**
Rental expense	(0.3)	-	-	**(0.3)**
Other services	(0.7)	(0.5)	-	**(1.2)**
Short-term employee benefits (salaries)	-	(1.3)	-	**(1.3)**
Long-term employee benefits (social security costs)	-	(0.1)	-	**(0.1)**
Interest income	0.4	-	0.1	**0.5**

7 Balances and Transactions with Related Parties (Continued)

A shareholder entity has made an undertaking to the senior managers of the Group to pay an amount under a profit sharing scheme based on increase in Net Asset Value (adjusted) of the Group equal to EUR 0.5 million with respect to 2017 (2016: EUR 0.5 million). As the amount is payable by the shareholder, and does not constitute a share based payment under IFRS, it has not been expensed by the Group. The compensation of the Board of Managers of the Parent Company amounted to EUR 0.4 million during the period 6 months ended 30 June 2017 (during the period 6 months ended 30 June 2016: EUR 0.4 million).

The Group had no outstanding loans receivable from the members of the Board of Directors of the Group as at 30 June 2017 (31 December 2016: nil).

Distributions to owners paid by Group in 2017 and 2016 respectively are described in Note 17.

The Group's investment in joint ventures is described in Note 10.

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In millions of EUR	Land and buildings	Machinery, equipment	Vehicles and other assets	Capital work in progress including advances (CIP)	Total
At 31 December 2015					
Cost	14.5	6.4	26.6	0.2	**47.7**
Accumulated depreciation and impairment charges	(7.3)	(4.2)	(24.9)	-	**(36.4)**
Net book value	**7.2**	**2.2**	**1.7**	**0.2**	**11.3**
Year ended 31 December 2016					
Additions	-	-	-	1.7	**1.7**
Transfers	0.7	0.4	0.8	(1.9)	**-**
Disposals	(2.3)	-	(0.3)	-	**(2.6)**
Depreciation charge	(0.1)	(0.6)	(0.7)	-	**(1.4)**
Closing net book value	**5.5**	**2.0**	**1.5**	**-**	**9.0**
At 31 December 2016					
Cost	12.9	6.8	27.1	-	**46.8**
Accumulated depreciation and impairment charges	(7.4)	(4.8)	(25.6)	-	**(37.8)**
Net book value	**5.5**	**2.0**	**1.5**	**-**	**9.0**
6 months ended 30 June 2017					
Additions	-	-	-	2.0	**2.0**
Transfers	0.9	0.3	0.7	(1.9)	**-**
Disposals	(1.8)	-	(0.1)	-	**(1.9)**
Depreciation charge	(0.2)	(0.3)	(0.4)	-	**(0.9)**
Closing net book value	**4.4**	**2.0**	**1.7**	**0.1**	**8.2**
At 30 June 2017					
Cost	12.0	7.1	27.7	0.1	**46.9**
Accumulated depreciation and impairment charges	(7.6)	(5.1)	(26.0)	-	**(38.7)**
Net book value	**4.4**	**2.0**	**1.7**	**0.1**	**8.2**

8 Property, Plant and Equipment (Continued)

As at 30 June 2017, the Group did not lease any significant property, plant and equipment under finance leases (where the Company is the lessee) (2016: nil). At 30 June 2017, property, plant and equipment carried at EUR 7.3 million (at 31 December 2016: EUR 4.3 million) has been pledged to third parties as collateral with respect to borrowings.

9 Investment Property

	2017		2016	
In millions of EUR	**Under development**	**In use or vacant**	**Under development**	**In use or vacant**
Fair value at 31 December	**639.5**	**565.1**	**853.4**	**570.3**
Acquisitions of investment property	57.2	285.2	224.5	-
Subsequent expenditure on investment property	-	16.0	-	30.0
Transfers from under development to in use	-	-	(297.0)	297.0
Transfers from property, plant and equipment (Note 8)	-	-	-	-
Transfers to property, plant and equipment (Note 8)	-	(0.9)	-	-
Transfers to disposal groups classified as held for sale (Note 15)	-	(8.8)	(1.7)	(202.3)
Transfers to amount due from customers for contract work	-	-	(216.6)	-
Transfers to financial investment due to loss of control	-	(183.7)		
Disposals	1.6	-	(5.7)	(165.3)
Fair value gains/(losses) – properties completed during the year	-	-	37.1	-
Fair value gains/(losses) – other properties	19.6	(5.4)	91.6	45.8
Effect of translation to presentation currency	8.0	8.4	(46.1)	(10.4)
Fair value at 30 June	**725.9**	**675.9**	**639.5**	**565.1**

The Group classified certain operating leases as investment properties. Such operating leases are accounted for as if they were finance leases. The carrying value of such investment property as of 30 June 2017 was EUR 9.1 million (2016: EUR 10.6 million).

The investment properties are valued annually on 31 December at fair value, supported by the advice of an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. 83.7% of properties were valued by independent, professionally qualified valuation expert, (2016: 99.2%). The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 30.

At 30 June 2017, investment properties carried at 724.0 million (at 31 December 2016: EUR 852.1 million) have been pledged to third parties as collateral with respect to borrowings.

Valuations obtained for investment properties were adjusted for the purpose of the financial statements to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities and with respect to non-binding offers, results of prospective purchaser due diligence and other factors. Reconciliation between the valuations obtained and the adjusted valuation included in the financial statements is as follows:

In millions of EUR	**Note**	**30 June 2017**	**31 December 2016**
Valuations obtained		**1,825.1**	**1,428.3**
Less: property classified as property plant and equipment (own use)		(5.7)	(4.6)
Less: management adjustments to consider subsequent non binding offers, results of prospective purchaser due diligence and other factors		1.1	1.0
Less: lease incentive receivables	11(a)	(10.5)	(8.0)
Less: transfers to disposal groups classified as held for sale	15	(224.5)	(212.1)
Less: transfers to financial investment due to loss of control		(183.7)	
Fair value at 30 December		**1,401.8**	**1,204.6**

10 Joint Ventures

In 2015, the Group sold its 50% economic interest in its joint venture Hotel Šachtička, a.s. Hotel Šachtička, a.s. is 100% owner of Šachtičky, a.s., which is the legal owner of a hotel property located in Slovakia.

In 2014, the Group entered into a new joint venture in Poland with 51% economic interest in West Station Investment. In 2015, the Group increased its economic interest in the joint venture to 71%.

The following amounts represent the assets, liabilities, revenue and results of the joint ventures:

	2017		2016	
In millions of EUR	**West Station Investment 1-2**	**Other Joint Ventures**	**West Station Investment 1-2**	**Other Joint Ventures**
Revenue	2.3	0.4	0.4	0.8
Profit and total comprehensive income for the year	1.6	(0.1)	(0.1)	(0.3)
Current assets	12.6	0.4	18.3	0.5
Non-current assets	162.2	8.6	128.1	8.6
Current liabilities	(58.6)	(0.6)	(42.3)	(0.3)
Non-current liabilities	(34.8)	(3.8)	(42.1)	(4.2)
Net assets of the investee	**81.4**	**4.6**	**62.0**	**4.6**
Share of other venturers	**(24.0)**	**(2.3)**	**(17.8)**	**(2.3)**
Investment in joint venture	**57.4**	**2.3**	**44.2**	**2.3**

The West Station joint venture has an outstanding borrowing from a third party bank that includes a clause restricting payment of dividends to the investors without the lender's approval.

11 Receivables and Loans

In millions of EUR	**Note**	**30 June 2017**	**31 December 2016**
Lease incentives receivables	(a)	10.5	9.5
Loans to related parties – non-current (Note 7)	(b)	2.5	2.2
Loans to joint ventures – non-current (Note 7)	(c)	-	-
Loans to third parties		1.0	0.6
Total receivables and loans		**14.0**	**12.3**

Description and analysis by credit quality of receivables and loans is as follows:

(a) Lease incentive receivables of EUR 10.5 million (31 December 2016: EUR 9.5 million) represent cost of incentives recognised over the lease term, on a straight-line basis – see Note 2.9 and 2.19. These receivables are neither past due nor impaired. They are not secured and they are due from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

(b) The Group has provided loans to its related parties amounting to EUR 2.5 million as of 30 June 2017 (31 December 2016: EUR 2.2 million). These receivables are neither past due nor impaired. Loans outstanding as of 31 December 2016 are provided under the following conditions – interest rates are from 4.0% to 9.86% p.a. The carrying value of loans approximates their fair value.

(c) The Group has provided loans to its joint ventures amounting to nil as of 30 June 2017 (31 December 2016: EUR nil).

12 Other Non-Current Assets

In millions of EUR	**Note**	**30 June 2017**	**31 December 2016**
Other non-current assets	(a)	4.3	4.6
Construction contracts retention due from joint ventures	(b)	5.5	6.5
Total other non-current assets		**9.8**	**11.1**

12 Other Non-Current Assets (Continued)

(a) As at 30 June 2017, EUR 3.3 million related to divestment of 33 Central project in London, UK. As at 31 December 2016 EUR 3.3 million related to divestment of 33 Central project in London, UK and EUR 0.2 million related to retained amounts related to Košice project in Slovakia divested during 2015.

(b) Refer to Note 7, *Balances and Transactions with Related Parties* and Note 14.

13 Trade and Other Receivables

In millions of EUR	Note	30 June 2017	31 December 2016
Trade receivables		9.3	9.8
Trade receivables and advances to joint ventures		46.0	38.3
Margin deposits with securities brokers		18.3	-
Trade and other receivables to related parties	7	6.7	4.4
Accrued rental income		4.0	1.1
Derivatives and other financial assets		4.2	-
Loans to related parties	(a)	0.6	0.6
Other financial receivables		10.2	2.4
Less impairment loss provision for trade receivables		(0.2)	(1.7)
Total financial assets		**99.1**	**54.9**
VAT receivable		13.2	4.6
Prepayments		3.0	8.0
Total trade and other receivables		**115.3**	**67.5**

(a) Loans are provided under the following conditions – interest rates 4.0% - 9.86% (2016: 4.0% - 10.78%).

Movements in the impairment provision for trade receivables are as follows:

In millions of EUR	2017	2016
Provision for impairment at 1 January	**1.7**	**2.3**
Additional provision / (reversal of provision) for impairment of receivables	(1.5)	(0.6)
Provision for impairment at 30 June and 31 December	**0.2**	**1.7**

Collateralised trade receivables are as follows:

In millions of EUR	30 June 2017	31 December 2016
Trade receivables collateralised by:		
- bank guarantees	1.0	1.5
- tenant deposits	4.5	0.8
Total	**5.5**	**2.3**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those receivables where collateral and other credit enhancements are equal to or exceed carrying value of the receivable ("over-collateralised assets") and (ii) those receivables where collateral and other credit enhancements are less than the carrying value of the receivable ("under-collateralised assets").

Financial effect of collateral at 30 June 2017 is as follows:

	Over-collateralised Assets		**Under-collateralised Assets**	
In millions of EUR	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Trade and other receivables	0.9	12.1	11.8	4.6

13 Trade and Other Receivables (Continued)

Financial effect of collateral at 31 December 2016 is as follows:

In millions of EUR	**Over-collateralised Assets** Carrying value of the assets	Fair value of collateral	**Under-collateralised Assets** Carrying value of the assets	Fair value of collateral
Trade and other receivables	0.9	7.9	7.7	1.4

Collateral will be utilized to settle any receivables in case of customer's default.

Analysis by credit quality of trade and other receivables as of 30 June 2017 is as follows:

In millions of EUR	**Trade receivables (incl. JV)**	**Accrued rental income**	**Derivatives and other financial assets**	**Loans to related parties**	**Other financial receivables**	**Total**
Neither past due nor impaired – exposure to:						
Receivables collateralised by bank or other guarantees	5.5	-	-	-	-	**5.5**
Receivables not secured	68.4	4.0	4.2	0.6	10.2	**87.4**
Total neither past due nor impaired	**73.9**	**4.0**	**4.2**	**0.6**	**10.2**	**92.9**
Individually determined to be impaired						
- less than 30 days overdue	3.0	-	-	-	-	3.0
- 30 to 90 days overdue	0.1	-	-	-	-	0.1
- 90 to 180 days overdue	1.4	-	-	-	-	1.4
- 180 to 360 days overdue	0.5	-	-	-	-	0.5
- over 360 days overdue	1.4	-	-	-	-	1.4
Total individually impaired	**6.4**	**-**	**-**	**-**	**-**	**6.4**
Less impairment provision	(0.2)	-	-		-	**(0.2)**
Total	**80.1**	**4.0**	**4.2**	**0.6**	**10.2**	**99.1**

Analysis by credit quality of trade and other receivables as of 31 December 2016 is as follows:

In millions of EUR	**Trade receivables (incl. JV)**	**Accrued rental income**	**Loans to related parties**	**Other financial receivables**	**Total**
Neither past due nor impaired – exposure to:					
Receivables collateralised by bank or other guarantees	2.3	-	-	-	**2.3**
Receivables not secured	37.0	1.1	0.6	6.8	**45.5**
Total neither past due nor impaired	**39.3**	**1.1**	**0.6**	**6.8**	**47.8**
Individually determined to be impaired					
- less than 30 days overdue	6.1	-	-	-	**6.1**
- 30 to 90 days overdue	0.3	-	-	-	**0.3**
- 90 to 180 days overdue	0.7	-	-	-	**0.7**
- 180 to 360 days overdue	0.3	-	-	-	**0.3**
- over 360 days overdue	1.4	-	-	-	**1.4**
Total individually impaired	**8.8**	**-**	**-**	**-**	**8.8**
Less impairment provision	(1.7)	-	-	-	**(1.7)**
Total	**46.4**	**1.1**	**0.6**	**6.8**	**54.9**

13 Trade and Other Receivables (Continued)

The primary factor that the Group considers in determining whether a receivable is impaired is its overdue status. As a result, the Group presents above an ageing analysis of trade and other receivables that are individually determined to be impaired. Certain trade receivables are secured by either bank guarantee or deposit. The unsecured trade receivables are from a wide variety of tenants and the Group has the ability to evict non-paying tenants.

The carrying amount of each class of trade and other receivables approximated their fair value.

The Group has pledged the receivables of EUR 3.9 million as collateral for the borrowings as at 30 June 2017 (2016: EUR 3.8 million).

14 Amount due from customers for contract work

In 2016, the Group concluded a forward sale of its 33 Central project, London, UK. Refer to Note 3. The Group is responsible for completion of the construction of the Property based on the base building definition to the standard of Grade A office accommodation in the City of London, UK by 30 September 2017 at the latest.

Group assessed the detailed terms and conditions of the forward sale arrangement and concluded that the completion of the project should be accounted for as a construction contract. As a result, on 15 July 2016, the Group transferred the property to amounts due from customers for contract work.

The amount due from customers for contract work includes the above project as well as construction of West Station, Warsaw, Poland, for the Group's joint venture (Note 10). Information about projects in progress at the end of each reporting period is as follows:

In millions of EUR	**2017**	**2016**
Transfer from investment property to construction contracts accounting	216.6	216.6
Construction costs incurred	42.6	89.5
Add: recognised profits	35.6	48.1
Less: progress billings*	(148.5)	(132.9)
Total amount due from customers for contract work	**146.3**	**221.3**

* Includes EUR 31.1 million payments for initial fair value of investment property of EUR 216.6 million.

The stage of completion was estimated based on the proportion of the contract costs incurred for work performed to date on the total estimated contract costs. Refer to Note 12 for amount of retentions.

15 Non-current Assets Held for Sale

Major classes of assets classified as held for sale:

In millions of EUR	**30 June 2017**	**31 December 2016**
Investment property	212.7	204.0
Trade and other receivables	14.2	1.1
Receivables and loans	0.3	8.1
Deferred income tax asset	0.2	0.2
Cash and cash equivalents	16.3	8.4
Total assets classified as held for sale	**243.7**	**221.8**

As of 30 June 2017, the Group classified assets and liabilities of the three (3) subsidiaries (HYPARKOS, s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k and GBC D Polcom Investment XXX Sp. z o. sp. k) as held for sale.

As of 31 December 2016, the Group classified assets and liabilities of the four (4) subsidiaries (HYPARKOS, s.r.o., Železniční Cargo MOŠNOV s.r.o., GBC C Polcom Investment XXIX Sp. z o. sp. k and GBC D Polcom Investment XXX Sp. z o. sp. k) as held for sale.

The investment properties are valued annually on 31 December at fair value, with the benefit of advice by an independent, professionally qualified valuation expert who has recent experience in valuing similar properties in similar locations. The methods and significant assumptions applied in determining the fair value are described in Notes 3 and 30.

15 Non-current Assets Held for Sale (Continued)

Major classes of liabilities directly associated with assets classified as held for sale:

In millions of EUR	30 June 2017	31 December 2016
Deferred income tax liability	16.1	15.6
Borrowings	135.0	90.3
Trade and other payables	2.7	7.9
Total liabilities directly associated with assets classified as held for sale	**153.8**	**113.8**

At 30 June 2017, investment properties held for sale carried at EUR 212.7 million (at 31 December 2016: EUR 204.0 million) and the receivables of EUR 14,2 million (at 31 December 2016: EUR 1.1 million) have been pledged to third parties as collateral with respect to borrowings.

One (1) out of four (4) subsidiaries classified held for sale as at 31 December 2016 was sold during 2017 (Note 24).

16 Cash and Cash Equivalents

In millions of EUR	30 June 2017	31 December 2016
Cash at bank and in hand	131.5	307.7
Short-term bank deposits	-	0.3
Total cash and cash equivalents	**131.5**	**308.0**

At 30 June 2017, cash and cash equivalents were available for the Group's use, except for restricted cash in the amount of EUR 0.8 million (2016: EUR 3.2 million).

All the bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	30 June 2017		31 December 2016	
In millions of EUR	Cash at bank	Short-term bank deposits	Cash at bank	Short-term bank deposits
Rating by the Company				
- Banks rated 1	108.4	-	130.3	0.1
- Banks rated 2	16.7	-	151.6	0.2
- Banks unrated	6.0	-	25.4	-
Total	131.1	-	**307.3**	**0.3**

The Company classifies banks based on ratings as follows:

- Banks rated 1: Rating by Moody's A1, A2, A3 or rating by Fitch A+, A, A-
- Banks rated 2: Rating by Moody's Baa1, Baa2, Baa3 or Fitch BBB+, BBB, BBB-
- Banks rated 3: Rating by Moody's Ba1, Ba2, Ba3 or Fitch BB+, BB, BB-

The carrying amounts of cash and cash equivalents as of 30 June 2017 and 2016 are not substantially different from their fair value. The maximum exposure to credit risk relating to cash and cash equivalents is limited to the carrying value of cash and cash equivalents.

17 Share Capital and Share Premium

	Number of shares	Ordinary shares in EUR	Share premium in EUR	Total in EUR
At 1 January 2016	12,500	12,500	581,327,500	**581,340,000**
At 31 December 2016	12,500	12,500	532,622,500	**532,635,000**
At 30 June 2017	12,500	12,500	518,972,500	**518,985,000**

The total authorised number of ordinary shares is 12,500 shares with a par value of EUR 1 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote. 12,500 shares were issued on 20 October 2010.

17 Share Capital and Share Premium (Continued)

The terms of external borrowings drawn by the Group impose limitations on the ability of the subsidiaries to pay distributions to owners.

Distributions to owners declared and paid during the period were as follows:

In millions of EUR, except dividends per share amount	2017	2016
Distributions to owners payable at 1 January	**-**	**0.3**
Distributions declared during the year (from share premium)	13.6	48.7
Distributions declared during the year (other from retained earnings)	-	-
Distributions paid during the year	(13.6)	(49.0)
Distributions to owners payable at 30 June	**-**	**-**
Amount per share declared during the period in EUR	1,092.0	3,896.4

18 Borrowings

In millions of EUR		30 June 2017	31 December 2016
Non-current			
Bank borrowings		316.7	338.6
Other indebtedness	(a)	-	63.7
Issued bonds	(b)	197.2	162.6
Total non-current borrowings		**513.9**	**564.9**
Current			
Bank borrowings		143.1	58.1
Issued bonds	(b)	35.1	33.2
Total current borrowings		**178.2**	**91.3**
Total borrowings		**692.1**	**656.2**

(a) Contribution from third parties to the Fund before Fund deconsolidation (Note 1) was for the purposes of the condensed consolidated interim financial statements classified as debt.

(b) The bonds represent following debt instruments:
- (i) PLN denominated bonds in the amount PLN 111 million, which were issued in Warsaw in November 2013 with maturity November 2017, bearing an interest of 3M WIBOR + 3.95% p.a.;
- (ii) EUR denominated bonds in the amount EUR 6.6 million, which were issued in Warsaw in June 2014 with maturity November 2017, bearing an interest of 4.95% p.a.;
- (iii) EUR denominated bonds in the amount EUR 30 million, which were issued in Bratislava in August 2014 with maturity August 2019, bearing an interest of 4.25% p.a.;
- (iv) EUR denominated bonds in the amount EUR 40 million, which were issued in Bratislava in March 2015 with maturity March 2020, bearing an interest of 4.25% p.a.;
- (v) CZK denominated bonds in the amount CZK 1250 million, which were issued in Prague in March 2016 with maturity March 2021, bearing an interest of 6M PRIBOR + 4% p.a.;
- (vi) PLN denominated bonds in the amount PLN 100 million, which were issued in Warsaw in October 2016 with maturity April 2021, bearing an interest of 6M WIBOR + 4.40% p.a.;
- (vii) EUR denominated bonds in the amount EUR 25 million, which were issued in Bratislava in December 2016 with maturity December 2021, bearing an interest of 3.50% p.a.;
- (viii)EUR denominated bonds in the amount EUR 12 million, which were issued in Bratislava in March 2017 with maturity March 2022, bearing an interest of 3.50% p.a.;
- (ix) EUR denominated bonds in the amount EUR 20 million, which were issued in Bratislava in June 2017 with maturity June 2022, bearing an interest of 3.50% p.a..

The Group's borrowings are denominated in EUR, GBP or CZK.

18 Borrowings (Continued)

The carrying amounts and fair values of the non-current borrowings are set out below:

	Carrying amounts		Fair values	
In millions of EUR	**30 June 2017**	**31 December 2016**	**30 June 2017**	**31 December 2016**
Bank borrowings	316.7	338.6	311.9	342.6
Other indebtedness	-	63.7	-	63.7
Issued bonds	197.2	162.6	197.2	162.6
Non-current borrowings	**513.9**	**564.9**	**509.1**	**568.9**

Assumptions used in determining fair value of borrowings are described in Note 30. The carrying values of current borrowings approximate their fair values.

The Group has the following undrawn borrowing facilities:

In millions of EUR	**30 June 2017**	**31 December 2016**
Availability:		
- Expiring within one year	44.1	31.0
- Expiring beyond one year	72.6	11.3
Total undrawn facilities	**116.7**	**42.3**

Investment properties (Note 9) are pledged as collateral for borrowings of EUR 387,9 million (31 December 2016: EUR 406.5 million).

The loan agreements with third party creditors are governed by terms and conditions which include maximum loan to value ratios ranging from 53% to 75% (2016: 60% to 75%) and minimum debt service coverage ratios ranging from 1.15 to 1.30 (2016: 1.15 to 1.30). During half year 2017 and up to the date of authorisation of these consolidated financial statements for issue, the Group was in compliance with all loan agreement terms and no terms of the loans were renegotiated due to defaults or breaches.

19 Trade and Other Payables

In millions of EUR	**30 June 2017**	**31 December 2016**
Non – current		
Other long term payables	3.9	4.8
Total non-current payables	**3.9**	**4.8**
Current		
Trade payables	15.4	16.6
Liabilities for construction of investment properties	11.0	21.3
Accrued liabilities	8.5	10.6
Derivative financial instruments (Note 28)	3.9	6.5
Other payables	3.7	3.9
Liabilities due to joint ventures	1.1	12.6
Total current financial payables	**43.6**	**71.5**
Items that are not financial instruments:		
Deferred rental income	7.8	8.8
Accrued employee benefit costs	2.6	2.6
Other taxes payable	0.5	0.4
VAT payable	0.6	34.0
Prepayments for rent and other prepayments	12.1	7.4
Total current trade and other payables	**67.2**	**124.7**

19 Trade and Other Payables (Continued)

The VAT payable relates to sale of properties in Poland in December 2016 and was settled in January 2017.

The fair value of trade payables, finance lease liabilities, liabilities for construction of investment property, accrued liabilities, dividends payable, other trade payables to related parties and of other liabilities is not significantly different from their carrying amount.

20 Rental and Similar Income from Investment Property

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Rental income – Office	22.5	27.7
Rental income – Retail	0.1	3.1
Rental income – Industrial	2.3	5.6
Total revenue	**24.9**	**36.4**

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

In millions of EUR	**30 June 2017**	**30 June 2016**
Not later than 1 year	26.9	43.9
Later than 1 year and not later than 5 years	100.4	113.5
Later than 5 years	61.4	85.4
Total operating lease payments receivable	**188.7**	**242.8**

The Group's rental income includes performance income depending on sales revenue of retail units leased by its tenants. These amounts are not included in the above payments receivable as the Group is unable to estimate them with sufficient certainty. Total contingent payments receivable recognised as income in during 6 months ended 30 June 2017 under the Group's operating leases were EUR nil (during 6 months ended 30 June 2016: nil).

Contingent rent payments receivable is calculated based on the expected revenues of the related tenants multiplied by contractually agreed percentage. Historical knowledge about the development of tenant`s revenue as well as currently expected progress of revenues is taken into account in the calculation of the receivable.

21 Direct Operating Expenses arising from Investment Property

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Direct operating expenses arising from investment property that generate rental income:		
Materials consumed	0.2	0.2
Repairs and maintenance services	0.5	0.6
Utilities costs	2.7	4.1
Services relating to investment property	5.1	5.1
Real estate tax	0.6	1.2
Other costs	0.1	-
Total	**9.2**	**11.2**

22 Employee Benefits

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Wages and salaries	9.3	7.4
Pension costs – defined contribution plans	0.5	0.4
Total employee benefits	**9.8**	**7.8**

Number of employees in the core real estate operations of the Group was as follows (on full time equivalent basis):

	30 June 2017	**30 June 2016**
Real estate	605	486
Total number of employees	**605**	**486**

23 Operating Income and Expenses

Operating expenses comprised the following:

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Services	14.1	10.2
Cost of sold inventories	2.1	0.3
Other taxes	0.9	0.3
Material consumption	0.6	0.4
Audit fees	0.6	0.5
Other	5.1	1.6
Total operating expenses	**23.4**	**13.3**

Other operating income comprised the following:

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Sales of services	4.5	1.3
Sales of inventories	1.7	0.1
Other operating income	0.4	-
Total other operating income	**6.6**	**1.4**

24 Disposals of Subsidiaries

The Group had four (4) subsidiaries classified as held for sale at 31 December 2016. Out of these, the Group disposed of 100% shares in Železniční Cargo MOŠNOV s.r.o. during 6 months ended 30 June 2017.

The Group lost control of the CE REIF subfund during 6 months ended 30 June 2017.

The assets and liabilities of subsidiaries disposed of, the sale proceeds and the gain on disposal comprised:

In millions of EUR	**6 months ended 30 June 2017**	**6 months ended 30 June 2016**
Investment property in use	184.9	115.5.
Net book value of own offices	-	1.0
Inventories	-	-
Deferred tax asset/(liability)	(15.5)	(5.0)
Borrowings	(182.8)	(51.8)
Trade and other payables	(20.4)	-
Cash and cash equivalents	27.0	6.1
Other working capital	4.3	(6.3)
Net assets value	**(2.5)**	**59.5**
Gain on divestments of subsidiaries	20.1	5.9
Foreign currency translation differences transferred from other comprehensive income upon loss of control	(0.2)	-
Proceeds from sale of subsidiaries	**1.1**	**65.8**
Less cash in subsidiaries at the date of transaction	(27.0)	(6.1)
Less prepayment for sale of a subsidiary collected prior year	-	-
Less receivable from sale of subsidiary	-	(0.5)
Add liability from sale of subsidiary	-	(0.9)
Cash sale proceeds	**(25.9)**	**59.7**

25 Income Taxes

Income tax expense comprises the following:

In millions of EUR	6 months ended 30 June 2017	6 months ended 30 June 2016
Current tax	(1.2)	(0.5)
Deferred tax	(1.1)	(9.8)
Income tax credit/(expense) for the year	**(2.3)**	**(10.3)**

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of EUR	6 months ended 30 June 2017	6 months ended 30 June 2016
Profit before income tax	**36.5**	**12.5**
Theoretical tax charge at applicable rate 19.79% (2016: 20.44%)	(7.2)	(2.6)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	4.8	5.5
- Non-temporary taxable items	0.1	(10.2)
Utilisation and release of previously unrecognised tax loss carry-forwards	-	(2.5)
Tax charge included in the Share of profit or loss of Joint ventures	-	-
Other	-	(0.5)
Income tax credit/(expense) for the year	**(2.3)**	**(10.3)**

The Group uses 19.79% (2016: 20.44%) as the applicable tax rate to calculate its theoretical tax charge which is calculated as a weighted average of the rates applicable in the Slovak Republic of 21% (2016: 22%), the Czech Republic and Poland and Hungary of 19% (2016:19%) and UK 20% where majority of the Group's operations are located.

Differences between IFRS and applicable statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

25 Income Taxes (Continued)

In millions of EUR	1 January 2016	Charged/ (credited) to profit or loss	Divest-ment of subsi-diaries	Transfer to assets held for sale	30 June 2016	31 Dec 2016	Charged/ (credited) to profit or loss	Transfer to financial assets	30 June 2017
Tax effect of deductible/(taxable) temporary differences									
Investment properties	**(87.3)**	(10.6)	1.7	6.3	**(89.9)**	**(68.1)**	(1.6)	16.1	**(53.6)**
Unrealized foreign exchange (gains)/losses	**-**	-	-	-	**-**	**-**	-	-	**-**
Tax losses carried forward	**5.8**	0.8	-	(2.7)	**3.9**	**2.8**	0.5	-	**3.3**
Property, plant and equipment	**0.6**	-	-	-	**0.6**	**0.5**	-	-	**0.5**
Other	**(0.7)**	-	-	-	**(0.7)**	**(0.7)**	-	-	**(0.7)**
Net deferred tax (liability)	**(81.6)**	**(9.8)**	**1.7**	**3.6**	**(86.1)**	**(65.5)**	**(1.1)**	**16.1**	**(50.5)**

In the context of the Group's current structure, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies. Accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group expects that substantially all of the deferred tax liability will crystallise after more than 12 months from the balance sheet date.

26 Foreign exchange gains/(losses)

In millions of EUR	6 months ended 30 June 2017	6 months ended 30 June 2016
Bank borrowings – unrealised as at 30 June	4.9	(9.3)
Inter-company loans to foreign operations that do not form part of net investment – unrealised as at 30 June	0.2	(27.2)
Trade and other receivables and payables – realised during period	0.1	(0.5)
Trade and other receivables and payables – unrealised as at 30 June	0.1	(0.9)
Foreign exchange gains/(losses)	**5.3**	**(37.9)**

27 Contingencies, Commitments and Operating Risks

Tax legislation. Tax and customs legislation in countries where the Group operates is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Group includes holding companies incorporated in various jurisdictions. The tax liabilities of the Group are determined on the assumption that these holding companies are not subject to profits tax in other countries. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. Refer also to Note 3.

Capital expenditure commitments. Contractual obligations to purchase, construct or develop investment properties totalled EUR 196.9 million at 30 June 2017 (31 December 2016: EUR 160.7 million); this exposure will be partially financed by external loans (committed lines: EUR 128.5 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

28 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks: credit risk, market risk (including changes in foreign currency exchange rates, interest rate and price risk), liquidity risks, operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's rental income on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk represents the carrying value of its financial assets in the consolidated statement of financial position. The Group has no significant off-balance sheet exposures to credit risk as it did not issue financial guarantees nor loan commitments to other parties.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by Management. Such risks are monitored on a revolving basis and subject to an annual review.

Management has additional policies in place to secure trade receivables from rental business. The Group uses system of required bank guarantees or financial deposits to secure its receivables from rental business based on the rating of tenant.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 13.

28 Financial Risk Management (Continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 30 June 2017:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	5.5	-	5.5	1.0	4.5	-
Liabilities						
Cash collateral received presented within trade and other payables	4.5	-	4.5	4.5	-	-

Financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows at 31 December 2016:

In millions of EUR	Gross amounts before offsetting in the statement of financial position a)	Gross amounts set off in the statement of financial position b)	Net amount after offsetting in the statement of financial position c) = a) - b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments d)	Cash collateral received e)	Net amount of exposure c) - d) - e)
Assets						
Trade receivables	2.3	-	2.3	1.5	0.8	-
Liabilities						
Cash collateral received presented within trade and other payables	0.8	-	0.8	0.8	-	-

According to the general terms and conditions of contracts with its customers, the Group requires either a cash collateral or bank guarantee in favour of the Group to ensure its receivables are collectible. The amount guaranteed by cash collateral or a bank guarantee is assessed by the Group annually. The Group has a right of set-off of any balances overdue against the collateral or amount drawn under a bank guarantee.

The amounts in columns (d) and (e) in the above table are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Credit risks concentrations

As for the banks and financial institutions, Group has relationships only with those banks that have high independent rating assessment. The Group's bank deposits are held with 34 banks (2016: 33 banks) but 72% (2016: 60%) of cash balances as of 30 June 2017 are held with 5 (2016: 9) major banks. The Group's management considers the concentration of credit risk with respect to cash balances with banks as acceptable. The analysis by credit quality (bank rating) is provided in Note 16.

(ii) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements.

28 Financial Risk Management (Continued)

Currency risk. Due to continuous international expansion, Management acknowledges elevated exposure of the Group to foreign exchange risk arising from various currency exposures, primarily with respect to Czech Koruna, Polish Zloty, British Pound and Hungarian Forint. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currency that is not the entity's functional currency. Therefore internal objectives, policies and processes for its management have been set. Management has set up a policy to require group companies to manage their foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with the help of group treasury. As a result, the Group has invested into hedging instruments that are set up to minimize foreign exchange losses.

Had the foreign exchange rates been by one tenth lower than they have been throughout the period of 6 months ended 30 June 2017 with all other variables constant, profit for the year would have been approximately EUR 61.0 million lower (31 December 2016: EUR 43.8 million lower). Equity, after allowing for the tax effects, would have been EUR 48.2 million lower (31 December 2016: EUR 35.0 million lower).

Had the foreign exchange rates been by one tenth higher than they have been throughout the period of 6 months ended 30 June 2017 with all other variables constant, profit for the year would have been approximately EUR 61.0 million higher (31 December 2016: EUR 48.3 million higher). Equity, after allowing for the tax effects, would have been EUR 48.2 million higher (31 December 2016: EUR 35.0 million higher).

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of EUR	**Less than 12 months**	**Over 12 months**	**Total**
30 June 2017			
Total monetary financial assets	239.8	14.0	**253.8**
Total monetary financial liabilities	(537.4)	(201.1)	**(738.5)**
Net interest sensitivity gap at 30 June 2017	**(297.6)**	**(187.1)**	**(484.7)**
31 December 2016			
Total monetary financial assets	368.1	12.3	**380.4**
Total monetary financial liabilities	(501.4)	(226.3)	**(727.7)**
Net interest sensitivity gap at 31 December 2016	**(133.3)**	**(214.0)**	**(347.3)**

Had the interest rates on the Group's variable interest rate loans (generally the third party borrowings) been by one tenth lower than they have been throughout the period of 6 months ended 30 June 2017 with all other variables constant, profit before tax for the year would have been higher by approximately EUR 0.3 million (31 December 2016: EUR 1,6 million higher). Equity, after allowing for the tax effects, would have been higher by approximately EUR 0.2 million higher (31 December 2016: higher by EUR 1.3 million).

Had the interest rates on the Group's variable interest rate loans (generally the third party borrowings) been by one tenth higher than they have been throughout the period of 6 months ended 30 June 2017 with all other variables constant, profit before tax for the year would have been lower by approximately EUR 0.3 million (31 December 2016: EUR 1.6 million lower). Equity, after allowing for the tax effects, would have been lower by approximately EUR 1.6 million (31 December 2016: lower by EUR 1.6 million).

The Group's interest rate risk principally arises from long-term borrowings (Note 18). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

In addition to certain borrowings with fixed interest rate, the Group's policy is to actively manage the interest rate on its variable interest borrowings in selected cases. To manage this, the Group enters into various hedging instruments such as interest rate swaps or interest rate caps in relation to the relevant borrowings. At 30 June 2017, some 57,7% (31 December 2016: 60%) of the Group's Borrowings were concluded at a fixed rate or the underlying borrowing's variable interest rate was hedged. In addition, majority of loan agreements include embedded hedging obligations for the entities in the Group that might be triggered at loan conversion (from development loan into investment loan) or if certain (agreed) thresholds are met.

28 Financial Risk Management (Continued)

These provisions are taken into consideration by the Group's management when pursuing its interest rate hedging policy. Trade and other receivables and Trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Managers. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

(iii) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 30 June 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated balance sheet because the carrying amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the respective reporting period. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of financial liabilities as at 30 June 2017 is as follows:

In millions of EUR	**Demand and less than 12 month**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal – Note 18)	178.2	52.6	375.0	86.3	**692.1**
Borrowings (future interest payments)	18.2	15.5	31.9	2.9	**68.5**
Financial payables - current (Note 19)	39.7	-	-	-	**39.7**
Derivatives and other financial instruments (Note 19)	3.9	-	-	-	**3.9**
Total future payments, including future principal and interest payments	**240.0**	**68.1**	**406.9**	**89.2**	**804.2**

The maturity analysis of financial liabilities as at 31 December 2016 is as follows:

In millions of EUR	**Demand and less than 12 month**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Liabilities					
Borrowings (principal – Note 18)	91.3	20.2	391.8	152.9	**656.2**
Borrowings (future interest payments)	16.2	13.5	32.1	4.5	**66.3**
Financial payables - current (Note 19)	65.0	-	-	-	**65.0**
Derivatives and other financial instruments (Note 19)	6.5	-	-	-	**6.5**
Total future payments, including future principal and interest payments Liabilities	**179.0**	**33.7**	**423.9**	**157.4**	**794.0**

On an ongoing basis, the Board of Managers reviews a three year rolling cash flow forecast for the core real estate business on a consolidated basis. The forecast for second half of year 2017 and first half of year 2018 shows positive cash flow of the Group of approximately EUR 230.9 million (2016: EUR 241.5 million). The Board of Managers is confident that the Group's cash position allows it to keep pursuing new opportunities in its chosen markets.

29 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other companies in the industry, the Group monitors capital on the Net Asset Value (adjusted) basis. The Group calculates the Net Asset Value (adjusted) on the following basis:

In millions of EUR	Note	30 June 2017	31 December 2016
Equity attributable to the owners of HB Reavis Holding S.à r.l.		1,168.6	1,136.2
Adjusted for			
Add: Deferred income tax liabilities (including joint ventures)	10,15, 25	72.4	84.4
Less: Receivables and Loans provided to related party entities under common control	7	-	-
Net Asset Value (adjusted) as monitored by management		**1,241.0**	**1,220.6**

The Group also manages the net debt leverage ratio. This ratio is defined as a ratio between interest bearing liabilities from third parties excluding other indebtedness (Note 18(a)) less Cash and Group total assets. During 2017, the Group's strategy was to steer the net debt leverage ratio up to 35% (2016: up to 35%). As is shown in the table below, the Group's ratio was below the targeted level as at 30 June 2017 and at the end of 2016. The Group management believe that this position places the Group conservatively in their pursuit of new development opportunities.

In millions of EUR	30 June 2017	31 December 2016
Bank borrowings less cash	679.3	366.4
Total assets	2,148.4	2,112.3
Net debt leverage ratio	**31.6%**	**17.4%**

30 Fair Value Estimation

IFRS 13 requires the use of valuation techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used.

For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

i) Investment properties

The following table presents the group's investment properties that are measured at fair value:

In millions of EUR	Level 1	Level 2	Level 3	Total
Investment property – valuations obtained at 30 June 2017 (Note 9)	-	-	1,648.0	**1,648.0**
Investment property – valuations obtained at 31 December 2016 (Note 9)	-	-	1,429.1	**1.429.1**

Level 3 investment properties are fair valued using discounted cash flow method, yield method, residual method, comparative method and fair value at acquisition/divestment (cost) for assets which were either acquired/held for sale close to the balance sheet date or where reliable comparable information is unavailable and management used its judgement and experience to assess the fair value. The valuation techniques for level 3 are further described in Note 3.

30 Fair Value Estimation (Continued)

Quantitative information about fair value measurements using unobservable inputs:

Asset Management and Investment Management

Segment	Valuation technique	Fair value 30 June 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Input	Range 30 June 2017	Range 31 Dec 2016
Slovakia						
Office	Discounted cash flow	120.9	222.5	Average annual rent in EUR per sqm	190.1	134.0 – 194.0
				Discount rate p.a.	7.75%	7.7% – 10.0%
				Capitalisation rate for terminal value	7.25%	7.2% – 8.5%
Office	Direct capitalisation method	131.5	117.5	Average annual rent in EUR per sqm	180 – 186	180 – 187
				Capitalisation rate	6.5% – 8.0%	6.5% – 8.0%
Retail	Discounted cash flow	-	-	Average annual rent in EUR per sqm	-	-
				Discount rate p.a.	-	-
				Capitalisation rate for terminal value	-	-
Logistics	Discounted cash flow	-	-	Average annual rent in EUR per sqm	-	-
				Discount rate p.a.	-	-
				Capitalisation rate for terminal value	-	-
Total		**252.4**	**340.0**			
Czech republic						
Office	Direct capitalisation method	78.7	76.9	Average annual rent in EUR per sqm	167.0	167.0
				Capitalisation rate	6.42%	6.55%
Retail	Discounted cash flow	-	81.1	Average annual rent in EUR per sqm	-	222.0
				Discount rate p.a.	-	6.11%
				Capitalisation rate for terminal value	-	6.3%
Logistics	Direct capitalisation method	32.9	32.3	Average annual rent per sqm	49.0	49.0
				Capitalisation rate	8.5%	8.5%
Total		**111.6**	**190.3**			
United Kingdom						
Office	At cost	**285.2**	-	-	-	-
Total		**285.2**	**-**			

30 Fair Value Estimation (Continued)

Segment	Valuation technique	Fair value 30 June 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Input	Range 30 June 2017	Range 31 Dec 2016
Asset Management and Investment Management (Continued)						
Poland						
Office	Direct capitalisation method	273.1	257.5	Average annual rent in EUR per sqm Capitalisation rate	193.0 - 214.0 5.8% - 7.2%	196.0 – 237.0 5.9% – 7.2%
Total		**273.1**	**257.5**			
Hungary						
Office	Direct capitalisation method	-	-	Average annual rent in EUR per sqm Capitalisation rate	- -	- -
Total		**-**	**-**			
Total for segment		**922.3**	**787.8**			
Development in realisation and in preparation						
Slovakia						
Office, Office/Retail	Residual Method	121.5	107.2	Capitalised net revenues less cost to completion Capitalisation rate	224.0 6.5% – 7.25%	197.8 6.5% – 7.25%
Retail	Residual Method	57.3	46.9	Capitalised net revenues less cost to completion Capitalisation rate	135.6 6.0%	148.0 5.5%
Office	Direct capitalisation method	-	-	Average annual rent in EUR per sqm Capitalisation rate	- -	- -
Office	Comparative method	-	-	Price in EUR per sqm	-	-
Office	At cost	2.6	2.5	-		-
Total		**181.4**	**156.6**			
Czech republic						
Office	Residual Method	11.8	11.7	Capitalised net revenues less cost to completion Capitalisation rate	57.7 6.7% – 7.25%	49.7 6.7% – 7.25%
Office	Direct capitalisation method	14.8	14.8	Average annual rent in EUR per sqm Capitalisation rate	221.6 6.0%	221.6 6.0%
Office	At cost	9.9	-	-	-	-
Retail	Residual Method	12.2	12.2	Capitalised net revenues less cost to completion Capitalisation rate	24.4 7.0%	24.4 7.0%
Logistics	Comparative method	-	-	Price in EUR per sgm		-
Total		**48.7**	**38.7**			

30 Fair Value Estimation (Continued)

Segment	Valuation technique	Fair value 30 June 2017 (in millions of EUR)	Fair value 31 Dec 2016 (in millions of EUR)	Input	Range 30 June 2017	Range 31 Dec 2016
Development in realisation and in preparation (Continued)						
Poland						
Office	Residual Method	276.0	241.0	Capitalised net revenues less cost to completion	262.9	235.1
				Capitalisation rate	5.34% - 6.0%	5.75% - 6.5%
Office	Comparative method	-	-	Price in EUR per sqm	-	-
Office	Direct capitalisation method	-	-	Average annual rent in EUR per sqm	-	-
				Capitalisation rate		-
Office	At cost	3.9	3.6	-		-
Total		**279.9**	**244.6**			
United Kingdom						
Office	Residual method	124.2	116.0	Capitalised net revenues less cost to completion	74.1	70.8
				Capitalisation rate	4.5% – 4.75%	4.5% – 4.75%
Total		**124.2**	**116.0**			
Hungary						
Office	Comparative method	8.5	8.2	Price in EUR per sqm	211.0	211.0
	Residual method	49.4	40.9	Capitalised net revenues less cost to completion	123.2	136.4
				Capitalisation rate	7.0%	6.63%
Total		**57.9**	**49.1**			
Total for segment		**692.1**	**605.0**			
Non-core						
Logistics	Comparative method	33.5	36.3	Price in EUR per sqm		-
Retail	At cost	0.1	0.1	-		-
Total for segment		**33.6**	**36.4**			

30 Fair Value Estimation (Continued)

Sensitivity of measurement to variance of significant unobservable inputs

A decrease in the estimated annual rent will decrease the fair value. An increase in the discount rates and the capitalisation rates (used for terminal value of DCF and for the direct capitalisation method) will decrease the fair value.

There are interrelationships between these rates as they are partially determined by market rate conditions. Please refer to Note 3 for the quantitative sensitivity analysis.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by independent and qualified valuers.

These reports are based on both:

- information provided by the company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the company's financial and property management systems and is subject to the company's overall control environment.
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgment and market observation. Generally for income producing assets a DCF and direct capitalisation methods are used, for assets under construction residual method is used and comparative methodology is used for non-core and land bank assets.

The information provided to the valuers - and the assumptions and the valuation models used by the valuers - are reviewed by the controlling department and the Chief Financial Officer ('CFO'). This includes a review of fair value movements over the period.

ii) Financial Instruments

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies as described below. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Considering that most borrowings have variable rate of interest and that own credit risk of the Group did not materially change, the amortised cost carrying value approximates fair value. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The discount rate was 2.72% p.a. (2016: 1.78% p.a.). Refer to Note 18 for the estimated fair values of borrowings (for current borrowings Level 2 inputs are used, for non-current borrowings Level 3 inputs are used). Carrying amounts of trade and other payables approximate fair values.

Financial derivatives. The fair values of derivatives are based on counterparty bank quotes and are considered level 2 valuations. The fair value was estimated using the discounted cash flows technique.

31 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

All of the Group's financial assets belong to the category loans and receivables except for financial derivatives that are classified as held for trading. All of the Group's financial liabilities are carried at amortised cost except for financial derivatives that are classified as held for trading (Note 19).

32 Consolidated Structured Entities

The Group issued 2 tranches of bonds through HB Reavis Finance PL Sp. z o.o., 1 tranche of bonds through HB Reavis Finance PL 2 Sp. z o.o. both incorporated in Poland, 1 tranche of bonds through HB REAVIS Finance SK s. r. o., 1 tranche of bonds through HB REAVIS Finance SK II s. r. o., 3 tranches of bonds through HB REAVIS Finance SK III s. r. o., all three incorporated in Slovakia and 1 tranche of bonds through HB Reavis Finance CZ, s.r.o., incorporated in Czech Republic. These entities were consolidated as they are wholly owned by the Group, they were specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through ownership and outstanding guarantees of the entities' obligations. The Group guarantees all obligations of these entities represented by the bonds issued amounting to PLN 211.0 million, EUR 133.6 million and CZK 1.25 billion (Note 18).

33 Events after the Balance Sheet Date

After 30 June 2017 and up to the date of authorization of these condensed consolidated interim financial statements, the Group repaid EUR 33 million of bonds, issued EUR 51.9 million of new bonds and drawn EUR 5.2 million of new loans.

There were no other material events, which occurred after the end of the reporting period which have a bearing on the understanding of these condensed consolidated interim financial statements.