solidare

real estate holding plc

168 St. Christopher Street
Valetta VLT1467 / Malta

Consolidated Financial Statements

**for the reporting period
1 January to 31 December 2016**

SOLIDARE REAL ESTATE HOLDING PLC, MALTA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

Content

Solidare Real Estate Holding plc, Malta

Consolidated Statement of Financial Position
as of 31 December 2016

Assets

	Notes	31 December 2016 kEUR	31 December 2015 kEUR
A. Non-current assets			
I. Property, plant and equipment	8.1	471	0
II. Intangible assets	8.2	1,109	0
III. Financial assets	8.3	283	0
IV. Deferred tax assets	9.6	149	0
Total non-current assets		**2,012**	**0**
B. Current assets			
I. Property Inventories	8.4	71,027	0
II. Trade and other receivables	8.5	4,050	0
III. Cash and cash equivalents	8.6	1,461	0
IV. Assets classified as held for sale	8.7	18,960	4,034
Total current assets		**95,498**	**4,034**
Total assets		**97,510**	**4,034**

Solidare Real Estate Holding plc, Malta

Consolidated Statement of Financial Position
as of 31 December 2016

Shareholders' equity and liabilities

	Notes	31 December 2016 kEUR	31 December 2015 kEUR
A. Shareholders' equity	8.8		
I. Capital stock		40,800	19,758
II. Retained earnings (previous year: accumulated losses)		1,392	-18,626
III. Amounts recognised directly in equity relating to currency translation adjustments		5	-131
IV. Non-controlling interest		4,026	0
Total shareholders' equity		**46,223**	**1,001**
B. Non-current liabilities			
Deferred tax liabilities	9.6	7,388	0
Total non-current liabilities		**7,388**	**0**
C. Current liabilities			
I. Financial liabilities	8.9	37,742	0
II. Trade payables	8.10	935	0
III. Other payables	8.11	933	89
IV. Provisions	8.12	4,289	106
V. Liabilities directly associated with assets classified as held for sale		0	2,838
Total current liabilities		**43,899**	**3,033**
Total shareholders' equity and liabilities		**97,510**	**4,034**

Solidare Real Estate Holding plc, Malta

Consolidated Income Statement
for the period
1 January to 31 December 2016

	Notes	1 January to 31 December 2016 kEUR	1 January to 31 December 2015 kEUR
Continuing operations			
Rental income		615	0
Other income from asset management		180	0
Expenses related to property assets		-674	0
Results from asset management	**9.1**	**121**	**0**
Income from sale of property		0	0
Other income from property development & sales		297	0
Expenses from property development & sales		-28	0
Results from property development & sales	**9.2**	**269**	**0**
Other not directly attributable expenses	9.3	-1,302	-305
Operating result		**-912**	**-305**
Gain from a bargain purchase	**9.4**	**2,561**	**0**
Financial expense		-566	
Financial income		127	
Financial result	**9.5**	**-439**	**0**
Result from continuing operations for the year, before income tax (EBT)		**1,210**	**-305**
Income taxes	9.6	1,292	0
Result from continuing operations for the year, net of income taxes		**2,502**	**-305**
Discontinued operations			
Result for the year from discontinued operations	9.7	-120	-344
Consolidated profit of the year	7.7	**2,382**	**-649**
Attributable to:			
Owners of the Company		2,236	-349
Non-controlling interests		146	0
Earnings per share	9.8		
From continuing and discontinuing operations		0.09	-0.03
From continuing operations		0.09	-0.01

Solidare Real Estate Holding plc, Malta

Consolidated Statement of Comprehensive Income for the period 1 January to 31 December 2016

	Notes	1 January to 31 December 2016 kEUR	1 January to 31 December 2015 kEUR
Consolidated profit for the year		**2,382**	**-649**
Items that will be reclassified subsequently to profit and loss under certain conditions			0
Exchange differences on translating foreign operations		6	0
Income tax on items that will be reclassified subsequently to profit and loss under certain conditions		-1	0
		5	0
Items that will not be reclassified subsequently to profit and loss		0	0
Other comprehensive income for year, net of income taxes		**5**	**0**
Total comprehensive income for the year	7.7	**2,387**	**-649**
Atributable to:			
Owners of the Company		2,241	-649
Non-controlling interests		146	0

Solidare Real Estate Holding plc, Malta

Consolidated Statement of Changes in Shareholders' Equity
for the period
1 January to 31 December 2016

	Common stock		Retained earnings (previous year: accumulated losses)	Amounts recognised directly in equity relating to currency translation adjustments	Shareholders' equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
	Shares thousands	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR
Balance at 1 January 2015	**19,758**	**19,758**	**-17,977**	**-131**	**1,650**	**-**	**1,650**
Loss for the year			-649		-649		-1,298
Other comprehensive income for the year							-
Total comprehensive income for the year			**-649**			-	-649
Issue of ordinary shares							-
Balance at 31 December 2015	**19,758**	**19,758**	**-18,626**	**-131**	**1,001**	**-**	**1,001**
Balance at 1 January 2016	**19,758**	**19,758**	**-18,626**	**-131**	**1,001**	**-**	**1,001**
Consolidated profit for the year			2,236		2,236	146	2,382
Other comprehensive income for the year				5	5		5
Total comprehensive income for the year			2,236	5	2,241	146	2,387
Capital reduction - part 1	-16,219	-16,219	16,219		-		-
Capital reduction - part 2 and transfer of shares	-1,563	-1,563	1,563	131	131		131
Issue of ordinary shares for company acquisition	38,000	38,000			38,000		38,000
Addition of non-controlling shares							-
(minority interest) due to business combinations						3,880	3,880
Capital increase	824	824			824		824
Balance at 31 December 2016	**40,800**	**40,800**	**1,392**	**5**	**42,197**	**4,026**	**46,223**

Solidare Real Estate Holding plc, Malta

Consolidated Cash Flow Statement
for the period
1 January to 31 December 2016

	Notes	1 January to 31 December 2016 kEUR	1 January to 31 December 2015 kEUR
Cash flows from operating activities			
Consolidated profit for the year		2,382	-649
Income tax expense recognised in profit and loss		-1,292	0
Finance costs recognised in profit and loss		566	246
Investment income recognised in profit and loss		-127	0
Gain from a bargain purchase	5	-2,561	0
Impairment of financial assets		0	-49
Amortisation of non-current assets		47	0
Movements in working capital:			
Increase/(decrease) in inventories as well as trade and other receivables		-27,609	23
Increase in trade payables, provisions and other liabilities		371	0
Other non-cash income and expenses		0	-43
Cash generated from operations		**-28,223**	**-472**
Interest paid		-385	-1
Interest received		-22	0
Income taxes paid		3	0
Net cash generated by operating activities		**-28,627**	**-473**
- thereof from discontinued operations		-7	0
Cash flows from investing activities			
Net cash outflow from the acquisition of subsidiaries less cash and cash equivalents received	5. 6	-22	0
Proceeds from sale of subsidiaries less cash and cash equivalents given	4	4,730	0
Payments for property, plant and equipment		-206	0
Payments for intangible assets		-63	0
Net cash (used in)/ generated by investing activities		**4,439**	**0**
- thereof from discontinued operations		-7	0
Cash flows from financing activities			
Proceeds from issuing equity instruments of the Company		824	0
Proceeds from loans received		27,691	521
Repayment of loans		-2,913	-10
Net cash used in financing activities		**25,602**	**511**
- thereof from discontinued operations		88	0
Net increase in cash and cash equivalents		**1,414**	**38**
Cash and cash equivalents at the beginning of the year	16	47	9
Cash and cash equivalents at the end of the year		**1,461**	**47**

1 GENERAL INFORMATION

Solidare Real Estate Holding plc, Malta, ("the Company") is a limited liability company incorporated as Xanthus Holdings plc. as of 21 March 2011 in Malta, and refirmed in Solidare Real Estate Holding plc on 9 June 2016. The Company is the parent holding company of solidare real estate holding, Duesseldorf, Germany (herein referred to as "the Solidare-Group").

The Company is registered with the Registry of Companies in Malta, registration number C 52332 with its registered office at 168 St. Christopher Street, Valetta, VLT1467, Malta.

The principle purpose of Solidare-Group is the construction and development of property in the market of micro-living. Solidare Real Estate Holding plc holds participations in property companies, which are focused on the acquisition and rental service or sale of property. Moreover, Solidare Real Estate Holding plc also has indirect participations in service companies, which are specialised to develop the property. The Solidare-Group has positioned itself that the entire value chain from a single source can be operated, including acquisition, finance, planning, construction management, removal, rebuilding, reconstruction, interior fitting, rental, facility and property management.

Besides this, Solidare Real Estate Holding plc may also – as before – acquire and hold, buy and/or sell shares, stocks, bonds or securities or other assets of/or in any other company, and to invest these funds, which support the above mentioned purpose and as deemed appropriate by the Board of Directors.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Application of new and revised IFRS

The following paragraphs describe the IFRSs published by the IASB and endorsed for application in the EU that were applied for the first time during the reporting period. Thereafter, new standards and interpretations that have been issued by the IASB as of the reporting date are described but have not been applied early, as their application is either not mandatory or endorsement by the European Commission is still pending.

The following new standards and amendments to standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2016:

Standard/ Interpretation	Content	Applicable for FY beginning on/after	Effects
Amendments to IAS 1	Structure of the financial statements	1 Jan 2016	No significant impact.
Amendments to IAS 16 and IAS 38	Property, plant and equipment and intangible assets	1 Jan 2016	No significant impact.
Amendments to IAS 16 and IAS 41	Property, plant and equipment (bearer plant) and biological assets	1 Jan 2016	No relevance.
Amendments to IAS 19	Employee benefits	1 Jan 2016	No significant impact.
Amendments to IAS 27	Consolidated and separate financial statements	1 Jan 2016	No relevance.
Amendments to IFRS 10, IFRS 12 and IAS 28	Consolidated and separate financial statements, disclosures on participations in other companies	1 Jan 2016	No significant impact.
Amendments to IAS 11	Joint operations	1 Jan 2016	No relevance.
Clarification	Clarifications to IFRS 2010-2012	1 Jan 2016	No significant impact.
Clarification	Clarifications to IFRS 2012-2014	1 Jan 2016	No significant impact.

Impacts of new and amended IFRSs and interpretations which were adopted by the Solidare-Group the first time in the reporting period

- **Amendments to IAS 1 „Disclosure initiative"**

  The amendments to IAS 1 are intended to eliminate the obstacles that entities have seen in the exercise of their discretion in the presentation of the financial statements. This applies in particular to:

  - Materiality and aggregation

    The principle of materiality applies to all financial statements, including specific disclosure requirements of individual standards. Useful information shall not be concealed by aggregation or disaggregation.

  - Presentation of the statement of financial position and comprehensive income

    The financial statement items listed in IAS 1 no longer represent a minimum requirement. According to their relevance, they can be summarised or broken down. Additional guidelines for the presentation of additional subtotals in the statement of financial position and comprehensive income were included in the standard.

  - Presentation of the components of other comprehensive income (OCI)

    The amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented in one line based on a possible subsequent recognition in the profit and loss ("recycling").

- Notes to the consolidated financial statements

  Clarification that a company is flexible in defining the structure of the notes, whereby the effects on understandability and comparability are to be taken into account. As regards the structure of the financial statements, the amendments provide examples of a systematic ordering and grouping of the notes.

Minor changes in the presentation of the consolidated financial statements of the Company are relevant.

- **Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"**

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

  - when the intangible asset is expressed as a measure of revenue. For example, this would be the case if the contract term of a concession for the extraction of natural resources is not restricted to a specific period, but to the total sales revenue generated by the extraction of natural resources.

  - when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

  The Solidare-Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, because the Board assumes that this method for depreciation most likely reflects the consumption of the value of the economic benefit. The application of these amendments has had no impact on the Group's consolidated financial statements.

- **Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"**

  The amendments define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16. Therefore, the definition of a „bearer plant" is defined in both Standards.

  The application of these amendments has had no impact on the Solidare-Group's consolidated financial statements as the Group is not engaged in agricultural activities.

- **Amendments to IAS 19 "Employee benefits"**

  On 21 November 2013, the IASB published further amendments to IAS 19. The amendments clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

  The amendments are not affecting the presentation of the Solidare-Group's financial reporting.

- **Amendments to IAS 27 "Equity method in separate financial statements"**

  These amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures, and associates in an entity's separate financial statements.

  There is no impact on the Solidare-Group's financial accounting.

- **Amendments to IFRS 10, IFRS 12, and IAS 28 "Investment entities: applying the consolidation exception"**

  These amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

  Since Solidare Real Estate Holding plc, Malta, does not constitute as investment entity and the Group does not include investment entities; the amendments will not have an effect on the Solidare-Group's financial statements.

- **Amendments to IFRS 11 "Joint arrangements"**

  The amendments to IFRS 11 relate to the accounting for acquisitions of interests in joint operations. It clarifies the accounting treatment in the event that these shares constitute a business.

  The Solidare-Group did not realise any impact on its reporting resulting from the amendments.

- **Annual improvement process for IFRSs 2010–2012**

  The International IASB issued "Annual Improvements 2010–2012," a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Eight standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) were affected by the amendments.

  The amendments will be of only minor, if any, relevance to the consolidated financial statements of the Company.

- **Annual improvement process for IFRSs 2012–2014**

  The IASB issued "Annual Improvements 2012–2014," a collection of amendments to IFRSs, in response to issues addressed during the 2012–2014 cycle. Four standards (IFRS 5, IFRS 7, IAS 19, and IAS 34) were affected by the amendments.

  The amendments will be of only minor, if any, relevance to the Solidare-Group.

New and amended IFRSs and interpretations to existing standards which are not yet effective and have not been adopted early by the Solidare-Group

In its consolidated financial statements as of 31 December 2016, Solidare Real Estate Holding plc, Malta, did not apply the following accounting standards or interpretations, which have already been adopted by the IASB but were not required to be applied for the financial year 2016.

Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
IFRS 9	New standard „Financial instruments: classification and measurement"	1 Jan 2018	Under review
IFRS 15	New standard „Revenue from contracts with customers"	1 Jan 2018	Notes disclosures
IFRS 16	New standard „Leases"	1 Jan 2019	No material effects
Amendments to IFRS 7 and IFRS 9	Mandatory effective date and transition disclosures	1 Jan 2018	None
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and is associate or joint venture	Postponed	Under review
Amendments to IAS 7	Disclosure initiative	1 Jan 2017	Notes disclosure
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	1 Jan 2017	Under review

- **IFRS 9 "Financial instruments"**

  This is a new standard issued on 12 November 2009. The standard addresses the classification and measurement of financial assets and is likely to affect the Group's accounting of financial assets. Application of the standard is mandatory from 1 January 2018, onward. However, the standard is available for early adoption subject to EU endorsement.

  The Solidare-Group has not yet assessed the full impact of IFRS 9 on its consolidated financial statements.

- **IFRS 15 "Revenues from contracts with customers"**

  IFRS 15 is a new standard and was issued on 28 May 2014. It applies to an annual reporting period beginning on or after 1 January 2018. IFRS 15 specifies how and when an entity reporting in accordance with IFRSs shall recognize revenue as well as requires such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

  Apart from the additional disclosures, no impact on the consolidated net assets, financial statements, and earnings position of the Solidare-Group is expected.

- **IFRS 16 "Leases"**

  On 13 January 2016, the IASB issued IFRS 16, the new accounting standard for leases. The new requirements in this standard apply in particular to the recognition of leases by lessees, introducing significant changes to lease accounting. As a matter of principle, the so-called "right-of-use approach" (RoU approach) will now have to be applied to the recognition of all leasing agreements. Under IAS 17 "Leases," it is currently still possible to structure agreements in such a way that leases will not be reported on a company's balance sheet (off-balance-sheet leases).

  This will no longer be possible in the future when the RoU approach is applied. For operating leases, lessees currently only recognize the expense from lease payments on the income statement, while the assets used are not accounted for.

  For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, so that a lessor continues to classify its leases as operating leases or finance leases. IFRS 16 will be effective starting 1 January 2019.

  The application of this IFRS will not have any material effects on the Company's consolidated financial statements because the Company primarily has commercial property lease agreements for its investment property portfolio and, hence, mainly acts as a lessor. The scope of transactions in which the Company is engaged as a lessee is not material.

- **Effective date of IFRS 7 amendments on application of IFRS 9**

  On 16 December 2011, the IASB issued "Mandatory effective date and transition disclosures" (Amendments to IFRS 9 and IFRS 7), which amend the effective date of IFRS 9 "Financial Instruments" to annual periods beginning on or after 1 January 2018, and modify the relief from restating comparative periods and the associated disclosures in IFRS 7 "Financial Instruments: Disclosures." The amendments to IFRS 7 apply when an entity first applies the requirements of IFRS 9 and so apply to annual periods beginning on or after 1 January 1 2018 (or such other date as when an entity applies IFRS 9).

- **Amendments to IAS 28 and IAS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"**

  These amendments were proposed due to the conflict between the requirements of IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements." The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The effective date has been postponed indefinitely.

  The application of these amendments may have an impact on the Company's consolidated financial statements in the future periods, should such transactions arise.

- **Amendments to IAS 7 "Cash flow Statement – disclosure initiative"**

  These amendments are clarifications with regard to the finance activities of a company. Users of financial statements shall be put in the condition to better assess financial debt.

  The application of these amendments could have minor impacts on the notes of the Solidare-Group.

- **Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses"**

  The amendment to IAS 12 provides the guidance that unrealized losses on the fair value of debt instruments lead to deductible, temporary differences. It also clarifies that it has to be assessed for all deductible, temporary differences together if it is probable that sufficient taxable income will be generated to use these and, thus, to recognize them. IAS 12 is supplemented by rules and examples that clarify how the future taxable income shall be determined for the accounting of deferred tax assets.

  Future effects of this change on the consolidated financial statements of Solidare are currently being assessed.

  The Solidare-Group did not adopt any new or amended standard or interpretation early in 2016.

3 ACCOUNTING AND VALUATION POLICIES

3.1 Statement of compliance with IFRSs

The consolidated financial statements as of 31 December 2017 of Solidare Real Estate Holding plc, Malta, and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS interpretations committee (IFRIC), as adopted in the European Union. Accounting and valuation principles are identical to those applied in the last consolidated financial statements of the Company as at 31 December 2015.

3.2 Basis of preparation of the consolidated financial statements

Apart from certain financial instruments that are measured at fair values at the end of each reporting period and as explained in the accounting policies below, the consolidated financial statements have been prepared based on the respective historical costs.

Historical cost is generally based on the fair value of the consideration paid for the asset on the acquisition date.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics (e.g. condition and location of the asset or restrictions on sales and use) into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for:

- share-based payment transactions that are within the scope of IFRS 2 "*Shared-based Payment*",
- leasing transactions that are within the scope of IAS 17 "*Leases*", and
- and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "*Impairment of Assets*".

Fair value is not always available as a market price and must frequently be determined on the basis of various valuation parameters. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In the Solidare-Group, reclassifications between these various IFRS 13 levels are made at the end of the financial year in which the change occurred.

The consolidated financial statements are presented in Euro. All values are rounded to the nearest thousand (kEUR), except when otherwise indicated. In some cases, this may result in minor discrepancies in the tables included in these consolidated financial statements and in the totals provided in the notes.

The consolidated financial statements presented in this report were prepared for the period from 1 January to 31 December 2016. The period from 1 January to 31 December 2015 was reported as a comparative period. Single items are summarised in the consolidated statement of financial position and the consolidated income statement. They are commented on in the notes to the consolidated financial statements.

Assets and liabilities are classified as noncurrent and current, respectively. Current items are defined as items that are due in less than one year, and vice versa.

Due to the merger, the Solidare-Group data for the period of 1 January to 31 December 2016 are only comparable to a very limited extent with figures posted for the same period of the last year. In addition, classification and the description of individual items in the income statement were adjusted due to changed operating activities in 2016.

3.3 Consolidation

3.3.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Even then, if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

a) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between

- the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. recycled to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

b) Acquisition of subsidiaries

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. In the Solidare-Group, the valuation is carried out by independent appraisers in line with the recommendations of the Royal Institution of Chartered Surveyors (RICS).

For the acquisition solidare real estate holding GmbH, Entercon AG was engaged to prepare the property appraisals. The property appraisal of Entercon AG is based on property appraisals for the property companies of the Solidare-Group prepared by the experts of Jones Lang LaSalle ("JLL"). The external appraiser JLL values the properties according to the valuation principles of Royal Institution of Chartered Surveyors (RICS), based on market knowledge, knowledge after property inspection and information provided by the Solidare-Group that includes inventory data, rent lists, rental agreements, land register extracts and investment budgets. The data are reviewed by the appraiser and checked for plausibility through comparisons with market data. The appraiser also makes estimates, among others, for the occupancy rates, future rental income, future investments and expected returns. The discounted cash flow method (DCF method) is used to value the standing investments. This method is based on a dynamic investment calculation, which explicitly includes valuation assumptions and ensures the transparent calculation of fair value.

A standardised DCF method is used for the standing investments in Germany. This DCF method includes the future cash inflows and outflows for the respective properties over a detailed analysis period of 9 years as well as a terminal value that corresponds to the rental income capitalized at a growth-based rate in year 10.

In appraising undeveloped sites or sites that can be developed beyond their existing status, the value of the site is based primarily on the value of the optimal building that could be constructed and for which a construction permit would be granted. The value of the site in these cases is calculated with the sales comparison approach or, if a specific construction plan exists, with the residual value method. Under the residual value method, the first part of the calculation involves estimating the probable sale proceeds (development value) of the completed project based on a DCF calculation. The second step includes the deduction of all costs connected with the preparation or completion of the project from this development value. Possible costs include, for example, demolition costs, all construction costs, ancillary building costs, fees, financing costs, sales and marketing costs as well as a contingency position for unforeseen expenses. The developer's profit is estimated as a percentage of the development value or total development cost and also deducted. Financing costs incurred during construction are often estimated by calculating the interest on the total construction costs over one-half of the construction period. A clear development plan is a fundamental prerequisite for determining the project costs. When the sales comparison approach is used, the square meter prices are derived from market transactions.

The following exceptions apply to the measurement at fair value:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 2.22 b); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, a negative difference arises, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated profit or loss when the acquirer obtains control of the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.3.2 Associated companies and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment and is not tested separately for the existence of an impairment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. The determined impairment loss is offset against the carrying amount of the investment. There is no allocation of the impairment loss to the assets included in the carrying amount of the share, including goodwill. Any impairment loss is recognized in accordance with IAS 36, if the recoverable amount increases again in the subsequent years.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment according to IFRS 5 is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Solidare-Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses to the extent of the Group's interest in the associate or joint venture are eliminated.

3.3.3 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a different group entity is the joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint Operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.4 Foreign currency

3.4.1 Functional currency

The functional currency of the parent company and the Solidare-Group is the Euro. The Solidare-Group's reporting currency is also the Euro. With the exception of the Solidare International AG, the functional currency of all its subsidiaries is the Euro as well. The functional currency of Solidare International AG is the Swiss franc.

3.4.2 Currency translation

For Group companies whose functional currency is the Euro, transactions in foreign currencies are translated at the relevant exchange rates at the transaction date. In subsequent periods, financial assets and liabilities denominated in foreign currencies are translated using the closing exchange rate; gains and losses from the subsequent valuation are recognized in the consolidated income statement. Gains and losses arising from the translation of available-for-sale equity are recognized directly in other comprehensive income. No such transactions occurred during the financial year 2016.

The assets and liabilities of the Group's foreign companies with a functional currency other than the Euro are translated into Euro at the exchange rates prevailing on 31 December. Any resulting translation differences are recognized in other comprehensive income. Equity items are managed using historical rates. The consolidated income statement and the consolidated cash flow statement are translated into euro using average exchange rates during the respective periods. The exchange rates of the Swiss franc, the main foreign currency of the Solidarity-Group, are as follows:

		Consolidated statement of financial position year-end rate as of 31 Dec 2016		**Consolidated statement of profit and loss average rate**	
		2016	2015	2016	2015
Switzerland	1 CHF corresponds to EUR:	0,9312	0,9235	0,9216	0,9374

3.5 Tangible assets

In accordance with IAS 16, tangible assets are carried at cost less accumulated depreciation and recognized impairment losses. Acquisition or production cost includes all expenses incurred to bring the asset to the location and condition necessary for it to be capable of operating in the intended manner. Depreciation is calculated on a straight-line basis beginning in the month of acquisition.

Ordinary straight-line depreciation on depreciable tangible assets is based on the following useful lives:

	Useful life in years
Technical equipment and machinery	5 - 13
Office furniture and equipment	2 - 13

The useful lives of the various assets and the depreciation method are reviewed regularly in agreement with IAS 16 to ensure they reflect the expected development of the economic value in use of the tangible asset.

3.6 Intangibe assets

Intangible assets are carried at cost less amortisation in accordance with IAS 38. With the exception of goodwill, all intangible assets held by the Solidare-Group have a finite useful life and are amortised on a straight-line basis over their useful lives (pro rata temporis). Goodwill is not reduced through scheduled amortisation.

Intangible assets acquired as part of a business combination are recognised separately from goodwill. They are measured at their fair value at the time of acquisition. In the subsequent periods, these intangible assets are valued at cost less accumulated amortisation and any accumulated impairment losses, in the same way as individually acquired assets.

Ordinary straight-line amortisation is based on the following useful lives:

	Useful life in years
Software	2 - 5
Other intangible assets	2 - 5

Other intangible assets relate mainly to contracts with favourable market terms. They are written-down over a useful life of 5 years in accordance with the individual contract terms. In addition, other intangible assets are tested in accordance with IAS 36 when there is an indication of impairment.

The Solidare-Group has no internally generated intangible assets or capitalized trademarks.

3.7 Impairment

Tangible and intangible assets are tested for impairment as required by IAS 36 when there is any indication that they may be impaired. Independent of this practice, goodwill and intangible assets with an indefinite useful life must be tested annually for signs of impairment. The impairment test is performed at the cash-generating unit level if cash inflows cannot be directly allocated to a specific asset and individual valuation is therefore not possible. Cash-generating units represent the smallest group of assets to which independent cash inflows can be allocated. A cash-generating unit may not be larger than an operating segment defined in accordance with IFRS B. IAS 36 defines the recoverable amount as the relevant benchmark for impairment testing. The recoverable amount equals the higher of fair value less costs to sell and the value in use.

Fair value less costs to seil represents the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction at normal market conditions between knowledgeable and willing parties, less the costs to sell; the costs to sell are incremental costs directly attributable to the sale of an asset or cash-generating unit.

The value in use represents the present value of the estimated future cash flows that are expected to arise from the continuing use of an asset or cash-generating unit. Cash flows relevant to the valuation must be based on reasonable and justifiable assumptions. As a rule, the value in use is determined by using a net present value method; the discounted cash flow (DCF) method is used here.

If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, the difference is recognized as an impairment loss. An impairment loss calculated in accordance with the above principles must then be allocated to the assets in the cash-generating unit as follows: first, the carrying amount of the goodwill in the cash-generating unit is written down; any remaining difference is allocated to the other assets in the cash-generating unit in proportion to their carrying amount. An impairment loss is not allocated to an individual asset if a separate fair value less costs to sell would fall below a separately determined value in use or zero.

If there is an indication that the reasons for impairment no longer exist or have decreased, the impairment loss is reversed to the carrying amount that would have been determined (net of amortization or depreciation) if the impairment loss had not been recognized in prior years. An impairment loss recognized to goodwill may not be reversed.

When companies are acquired as part of a share deal, the accounting rules defined by IFRS 3 Business Combinations are applied (see section 3.3.1. Subsidiaries). The use, if necessary, of the acquisition method leads to goodwill as a technical figure because of the obligation to record deferred tax liabilities on the difference between the fair value and the tax base of the investment property acquired. This goodwill must be tested annually for indications of impairment. The cash-generating units primarily represent individual properties, property portfolios or groups of cash-generating units that benefit from synergies resulting from the combination.

As of 31 December 2016, there were no impairments in the Solidare-Group.

3.8 Property inventories

Property inventories represent assets that are held for sale during the ordinary course of business, or are in the process of production for such sale, or take the form of materials or supplies to be consumed in the production process or in the rendering of services.

The business activities of the Solidare-Group as a real estate company comprise the acquisition and rental as well as the best possible commercial utilization of assets to optimize asset management. The properties acquired and held for sale by the Solidare-Group do not fall within the scope of application of IAS 40 Investment Property, and are therefore accounted for as inventories in accordance with IAS 2.

Inventories are capitalised at acquisition or production cost, including borrowing costs, (see section 3.9. Borrowing costs) and measured at the lower of carrying amount and net realizable value as of the balance sheet date. The acquisition or production cost of inventories includes all purchase and processing costs as well as other expenses incurred to bring the asset to the current location and condition. Net realizable value is determined as the estimated selling price less any outstanding production costs and costs to sell.

Properties under development in the amount of kEUR 71,027 (previous year: kEUR 0) are listed under inventories in the Solidare-Group's consolidated statement of financial position as of 31 December 2016. Capitalised interest on borrowings in the amount of kEUR 202 are taken into account.

3.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets whose acquisition or development requires a significant amount of time are generally capitalised as part of the cost. These borrowing costs are reduced by any income from the temporary investment of funds that were borrowed specifically for the acquisition of the qualified asset. The borrowing costs attributable to real estate inventories under development are capitalised as incurred.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

As at 31 December 2016, borrowing costs of kEUR 202 (previous year: kEUR 0) were capitalised in the real estate inventories. The weighted average cost of borrowing amounted to 2.79%.

3.10 Trade and other receivables

Receivables and other financial assets are generally classified as loans and receivables (L&R) in accordance with IAS 39 and carried at amortized cost. Recognizable individual risks are reflected in corresponding valuation adjustments.

3.11 Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity investments
- available-for-sale (AFS) financial assets
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.11.1 Classification and valuation

a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

b) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

d) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as:

- loans and receivables,
- held-to-maturity investments or
- financial assets at fair value through profit or loss.

Listed redeemable notes held by the Solidare-Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period.

The Solidare-Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period, if the directors consider that fair value can be reliably measured.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.11.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3.11.3 Derecognition of financial assets

The Solidare-Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Solidare-Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.11.4 Derivative financial instruments

The Solidare-Group has not yet concluded any derivative financial instruments.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, funds in transit and deposits with financial institutions with a term of up to three months. These items are carried at the value applicable on the relevant balance sheet date. The above-mentioned liquid funds are included in the cash and cash equivalents which are relevant for the consolidated cash flow statement.

3.13 Non-current assets held for sale

IFRS 5 requires the classification of non-current assets and disposal groups containing assets and liabilities as held for sale if they can be sold in their present condition and their sale is highly probable within 12 months due to an intention to sell. If the relevant criteria are no longer met, the assets or disposal groups are reclassified to the original balance sheet positions.

Non-current assets held for sale and disposal groups are valued at the lower of the carrying amount and fair value less costs to sell. Exceptions to this IFRS 5 measurement rule are investment properties which are valued in accordance with the fair value mode as well as financial assets and deferred taxes. These non-current assets are only subject to the provisions for separate disclosure under IFRS 5.

As of 31 December 2016, the Group had non-current assets held for sale in the amount of kEUR 18,960 (previous year: kEUR 4,034). As only assets are to be sold as of 31 December 2016, no liabilities related to long-term assets held for sale were recognised as of that date (previous year: kEUR 2,838).

3.14 Shareholders' Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.15 Financial liabilities

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, held for trading, or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: recognition and valuation" permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.15.2 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

3.15.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.16 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets"; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3.17 Provisions

In accordance with IAS 37.14, an obligation arising from a past event whose timing or amount is uncertain is recorded as a provision when it becomes probable that an outflow of resources will be required to settle this obligation and when the amount can be reliably estimated.

The provision is based on the best estimate at the time the consolidated financial statements are prepared. The best estimate of the amount required to meet the present obligation is the amount the company would rationally pay to settle the obligation at the balance sheet date or to transfer the obligation to a third party at that time.

The risks and uncertainties that inevitably surround many events and circumstances must be taken into account in determining the best estimate. The expected cash flows must be discounted to their present value if the time value of money is material. The interest expense arising from the compounding of the provision is recorded under financial results, if they are material.

In cases where some or all of the expenditure required to settle an obligation is expected to be reimbursed by another party, the reimbursement may only be recognized when it is virtually certain that it will be received when the obligation is settled. The reimbursement must be treated as a separate asset, and the recognized amount may not exceed the amount of the provision.

The carrying amount of provisions must be reviewed and adjusted at each balance sheet date. If an outflow of resources is no longer probable, the provision must be derecognized through profit or loss.

3.18 Revenue recognition

Results from asset management

Asset Management covers the Solidare-Group's traditional rental business. The main source of revenue is rental income from the Solidare-Group's portfolio of residential properties in Germany.

Revenues from asset management consists of rental income for residential property and other rental income, operating costs passed on to tenants and revenues from property management for third parties as well as other revenues. Rental income arises from the rents agreed in the underlying rental agreements for residential properties and from other sources resulting from the rental of office space, retail space and parking spaces. Operating costs passed on to tenants include costs for the property management staff and for purchased services directly attributable to tenants such as waste disposal, electricity, insurance, taxes, fees and other expenses for common areas as well as equipment and facilities such as elevators and gardens. The Solidare-Group is accountable to tenants for the selection of suppliers and acts as the contractor in this respect. Therefore, the revenues and expenses from operating costs are reported as gross amounts.

Revenues from property rentals are recognised during the period defined by the underlying rental agreement.

In the financial year 2016, the Solidare-Group's rental income amounted to kEUR 615 (previous year: kEUR 0) and other income from asset management amounted to kEUR 180 (previous year: kEUR 0).

Results from property development & sales

The results of property development and sales include the revenues from the sale of inventories and the related production costs, with the transfer of economic ownership representing the date of realization. The transfer of economic ownership is defined as the transfer of the significant risks and opportunities and the transfer of control. Contracts for the sale of inventories that are concluded "off plan" or during the construction stage fall under the scope of application of IAS 18 if the criteria listed in IFRIC 15 are met. An agreement for the construction of property is only viewed as a construction contract that falls under the scope of application of IAS 11 when the buyer is able to define the main planning elements before the start of construction and/or to define changes in the main structural elements after construction has started (independent of whether the buyer decides to exercise this right). IAS 11 is applied if the buyer has this right. IAS 18 is applied to all of the Solidare-Group's development projects at the present time.

Other expenses allocated to the results of property development are recognised as incurred and include all personnel and operating expenses directly related to the development of a property. Income from the sale of inventories is reported under the results of Property Development, whereby revenue is realized when the significant opportunities and risks of ownership are transferred. In the event of a sale, the related production costs are recorded as a disposal under the production cost of sold inventories.

In the financial year 2016, there was no income resulting from the sale of property inventories (previous year: also none). Other income from property development amounted to kEUR 297 (previous year: kEUR 0) and expenses from property development amounted to kEUR 28 (previous year: kEUR 0).

3.19 Income taxes

Income taxes comprise both current and deferred taxes. Current and deferred taxes are recognized to the consolidated statement of income, unless they are related to items that are recognized either in other comprehensive income or directly in equity. In these cases the current or deferred taxes are also recognized in other comprehensive income or directly in equity. If current or deferred taxes result from the initial recognition of a business combination, the tax effects on the accounting for the business combination are included.

3.19.1 Current taxes

The current tax expense is based on taxable income for the year. Taxable income differs from net income as reported on the consolidated statement of comprehensive income due to income and expenses that are only taxable or tax deductible in later years or are never taxable or tax deductible. The Solidare-Group's liabilities for ongoing taxes will be calculated based on the applicable tax rates or shortly applicable tax rates.

3.19.2 Deferred taxes

Deferred taxes are recognised for existing differences between the carrying amounts of assets and liabilities in the IFRS consolidated financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are only recognized when it is probable that positive taxable income will be available to utilize the deductible temporary differences. Deferred tax assets and deferred tax liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor net income.

Deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries unless the Solidare-Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of the deferred tax assets is reviewed each year at the balance sheet date and reduced if it is no longer probable that sufficient taxable income will be available to utilize the claim in full or in part.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.20 Judgments and estimation uncertainty

The preparation of the Solidare consolidated financial statements as of 31 December 2016 in accordance with IFRS requires the use of judgments and assumptions for future developments by the management of Solidare real estate holding plc. These judgments and assumptions can have a significant influence on the recognition and value of assets and liabilities, the disclosure of other obligations as of the balance sheet date and the reporting of income and expenses for the financial year.

- Accounting for business combinations using the acquisition method standardized in IFRS 3 is dependent on whether a business is acquired. Assessing whether acquired investment properties constitute a business as defined in IFRS 3 is discretionary and regularly requires a detailed analysis of the acquired operations and structures, particularly with regard to property management. The application of the acquisition method involves the recognition of the transaction costs as expenses, the full recognition of the tax liabilities on temporary differences between the fair value of the acquired property asset and its tax base, and the annual impairment testing of the resulting goodwill. The acquisition method is not applied if the acquisition does not represent a business. In this case, the acquisition costs, including transaction costs, are allocated to the assets acquired and liabilities assumed in accordance with their fair values; tax liabilities are not recognized ("initial recognition exemption") and there is no goodwill.
- The fair value of the assets and liabilities acquired in the scope of business combinations are determined on the basis of appraisals prepared by independent property experts. Most of these appraisals include the use of discounted cash flow (DCF) models, specifically through discounting the expected future cash flows from the respective properties. The preparation of these appraisals involves the use of assumptions, e.g. for the applied discount rate, expected occupancy, outstanding construction costs and/or future development of rental prices. One characteristic of discounted cash flow models is their sensitivity to the underlying assumptions and parameters. For example, a reduction in the applied discount rate without any changes to the other assumptions or parameters will lead to an increase in the value of the respective property.

The following assumptions carry a significant risk that may lead to a material adjustment in the value of assets and liabilities during the next financial year:

- The determination of the net selling value of property inventories is based in part on calculations that are based on the expected sales revenue less the estimated remaining costs for completion and sale. These calculations are updated at each balance sheet date, which can lead to significant fluctuations in the net selling values of the property. For further details on the property inventories, see section 8.4 Property inventories.

- The impairment testing of intangible assets, goodwill and tangible assets is based on forward-looking assumptions. The determination of the recoverable amount or value in use of an asset for an impairment test involves the use of numerous assumptions, e.g. concerning future surplus cash flows and the discount rate. These surplus cash flows reflect the latest estimates available at the time the financial statements are prepared (see sections 8.1 and 8.2).
- The recognition of deferred tax assets, in general, and of tax assets on tax loss carry forwards, in particular, is based on the expectations of the Solidare-Group's management concerning the availability of sufficient future taxable income. The accounting decision on the recognition or impairment of deferred taxes is based on assumptions concerning the timing of the reversal of deferred tax liabilities and on the latest tax planning data in a five-year planning period (see section 9.6 income taxes).
- The valuation of provisions is based on best estimates, which are in part made by external experts. The valuation of provisions is based, in particular, on past experience, the probable outcome of legal disputes and tax litigation, future cost trends, interest rate assumptions, etc. (see section 8.12 provisions).
- The contingent liabilities arising from warranties, guarantees and other liabilities, which are not recognized in the Solidare-Group's balance sheet, are regularly assessed with regard to their probability of occurrence. If an outflow of resources embodying economic benefits is neither sufficiently probable to require a provision, nor improbable, the relevant obligations are recorded as contingent liabilities. These liabilities represent best estimates by management.

The estimates and the underlying assumptions and parameters are reviewed regularly. Actual values may vary from these estimates when the development of the general parameters differs from expectations on the balance sheet date. Changes are made when more accurate information is available, and the presentation of the assumptions and parameters relevant to the valuation are adjusted accordingly.

4 SCOPE OF CONSOLIDATION

As of 31 December 2016, Solidare Real Estate Holding plc, Malta, held shares in the following entities:

Entity	Place of incorporation	Proportion of ownership interest
Direct consolidated entities		
solidare real estate holding GmbH	Germany	100.00%
Solidare International AG	Switzerland	100.00%
Indirect consolidated entities		
solidare service GmbH	Germany	100.00%
Prodomi Wohnservice GmbH	Germany	100.00%
Promas Verwaltungsgesellschaft mbH	Germany	100.00%
Pecunia Facility Services GmbH	Germany	100.00%
Primus Asset Management GmbH	Germany	100.00%
solidare Wohnraum, Bau- und Planungsges. mbH	Germany	100.00%
Pilatus II Holding GmbH	Germany	100.00%
Rigi Neuss 1 Property GmbH	Germany	100.00%
4. Rigi Property GmbH	Germany	94.90%
ONO student GmbH	Germany	94.90%
2. Rigi Property GmbH	Germany	94.90%
VSF Grundstuecks AG	Germany	94.00%
3. Rigi Property GmbH	Germany	83.75%
Non-consolidated participation		
Rigi Property GmbH	Germany	3.23%

In May 2016, Solidare real estate holding GmbH sold 91.67% of its shares in Rigi Property GmbH before they were acquired by Solidare Real Estate Holding plc (see section 5). This transaction resulted in a cash inflow for the Group of EUR 4.7 million in July 2016.

Changes in scope of consolidation

In the financial year 2016, all fully consolidated subsidiaries were included for the first time in Solidare's consolidated group. For the acquisition of solidare real estate holding GmbH and Solidare International AG, we refer to sections 5 and 6 of these Notes.

With effect from 4 May 2016 the reduction in common shares decided in 2015 was carried out by the way of transfer of 100% of shares in Taiga Atlas plc (former: Xanthus Spec 1 Limited), Malta, including its subsidiaries Boreal United (former: Xanthus Special Investment 1) Limited, Malta, and North Wall Production Limited, Cayman Island, at their fair value of kEUR 1,563 to the shareholders of the Company. As result of this transaction, all direct and indirect participations of the Company were transferred to its shareholders.

An analysis of net assets transferred as of the transfer date is disclosed in the following table. The data are based on the financial numbers as of 30 April 2016.

	30 April 2016 in kEUR
Assets	
Cash and cash equivalents	9
Other investments	1,836
Loans	2,957
Other assets	6
	4,808
Liabilities	
Trade payables	31
Loans	3,009
Provisions	69
	3,109
Net assets transferred	1,699

The result from this de-consolidation is determined as follows:

	30 April 2016 in kEUR
Net assets transferred	1,699
Reduction in common shares (equity)	1,563
Loss	-136

The loss is included in the loss for the period from discontinued operations within the interim consolidated financial statements (see section 9.7).

5 ACQUISITION OF SOLIDARE REAL ESTATE HOLDING - GROUP

On 17 June 2016 Solidare Real Estate Holding plc, Malta, acquired from Suryoyo Holding GmbH, Duesseldorf, 100% of shares in solidare real estate holding GmbH, Duesseldorf for a consideration (purchase price) of kEUR 38,000. The consideration was fully paid by the issue of 38,000,000 common stocks of the Company to Suryoyo Holding GmbH, Duesseldorf, at a nominal value of EUR 1,00 per stock. By acquiring the shares in solidare real estate holding GmbH, Duesseldorf, Solidare Real Estate Holding plc, Malta, also took indirectly over its 11 subsidiaries.

The acquisition of solidare real estate holding GmbH, Duesseldorf, is a business combination in terms of IFRS 3 Business Combinations. No goodwill arose from this business combination.

a) Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred kEUR
solidare real estate holding GmbH	Acquisition, development, and rental of investment property	17.06.2016	100%	38,000

Solidare real estate holding GmbH, Duesseldorf, including its subsidiaries, was acquired to achieve sales revenues by rental of investment property on a long-term basis.

b) Consideration transferred

	kEUR
Common stocks of Solidare Real Estate Holding plc at nominal value of EUR 1	38,000
Total	**38,000**

c) Assets acquired and liabilities recognised at dated of acquisition

	kEUR
Current assets	
Cash and cash equivalents	16
Trade and other receivables	7,536
Assets classified as held for sale	571
Property Inventories	57,233
Deferred tax assets	18
Non-current assets	
Tangible assets	258
Intangible assets	1,134
Current liabilities	
Financial liabilities	-7,316
Trade and other payables	-1,492
Provisions	-5,120
Deferred tax liabilities	-8,398
	44,440

Receivables acquired within the scope of these transactions, which mainly consist of a purchase price receivable from the sale of a subsidiary as well as trade receivables, have a fair value of kEUR 7,536 and a gross contract value of kEUR 7,536. The best estimate of the contractual cash flows, which is not expected to be collectible at the time of acquisition, amounts to kEUR 0.

d) Gain on a bargain purchase

	solidare real estate holding GmbH kEUR
Consideration transferred	38,000
Plus: non-controlling interests (minority interests) in solidare real estate holding GmbH	3,879
Less: fair value of net assets acquired	-44,440
Gain on a bargain purchase	**-2,561**

The gain on a bargain purchase of kEUR 2,561 was disclosed as a separate item in the consolidated income statement. The reason for this gain was an agreed discount during the negotiations and the existing know-how, knowledge and the financing structure of the acquirer, which will be used for the establishing of an integrated investment property group listed in the EU.

The business combination described caused acquisition expenses of kEUR 95 in total, which are not part of the purchase price and were expenses as incurred in the interim consolidated financial statements.

e) Net cash outflow

The acquisition of solidare real estate holding GmbH did not lead to any cash outflows. But, the acquisition of solidare real estate holding GmbH generated a cash inflow of kEUR 16.

f) Effects on the consolidated financial statements

Since the date of acquisition of solidare real estate holding GmbH, this company has contributed to the rental income in the amount of kEUR 615 as well as to the other rental income in the amount of kEUR 180. The contribution to the result from asset management amounted to kEUR 152. In addition, kEUR 297 were contributed to the other revenue from property development and kEUR 269 to the result from property development since acquisition. Furthermore, other non-directly attributable expenses in the amount of kEUR 1,265 are included in the Group's result.

If the acquisition of the company had taken place at the beginning of the financial year (1 January 2016), the contribution to the rental income would have been kEUR 781, other rental income would have been kEUR 402 and the result from asset management kEUR 173. In addition, the acquired companies would had contributed kEUR 11,388 to the income from sale of property and kEUR 1,189 to other income from property development. The total income contribution to property development would have been kEUR 11,610. For 2016 as a whole, other not directly attributable expenses in the amount of kEUR 2,245 would have been included in the consolidated total comprehensive income for the year. In the estimation of the Board, however, these "pro forma" information have only limited significance regarding the future earning power of the entire Group, since these values result from the sale of two properties.

6 ACQUISITION OF ZLIBO CONSULT AG (SOLIDARE INTERNATIONAL AG)

With economic effect from 7 July 2016, Solidare Real Estate Holding plc, Malta, acquired 100% of the shares in Zlibo Consult AG, Zug, Switzerland, at the purchase price of kCHF 400 (kEUR 369). Cash payment was agreed as purchase price. After the acquisition, Zlibo Consult AG, Zug, Switzerland, was renamed into Solidare International AG, Zug, Switzerland.

The acquisition of Zlibo Consult AG, Zug, Switzerland, is a transaction between related parties, since the seller is also represented in the Board of Directors of Solidare Real Estate Holding plc, Malta. Since the purchase price was based on the current interim balance sheet of Zlibo Consult AG, Zug, Switzerland, as of 30 June 2016, and thus was carried out as at arms lenght, the transaction was accounted for analogous to a business combination. There is no goodwill resulting from this acquisition, since the contracting parties agreed to determine the purchase price, which corresponds to the net assets resulting from the current interim balance sheet of Zlibo Consult AG, Zug, Switzerland, as of 30 June 2016.

a) Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred kEUR
Zlibo Consult AG	Performance of all services in the real estate and financial service sector	17 July 2016	100%	369

Zlibo Consult AG, Zug, Switzerland, was acquired with the intention to carry out all international business activities of Solidare Real Estate Holding plc, Malta, as well as all kinds of services in the area of "Middle Office" for all subsidiaries of the Group.

b) Consideration transferred

	kEUR
Cash and cash equivalents	369

c) Assets acquired and liabilities recognised at dated of acquisition

	kEUR
Current assets	
Cash and cash equivalents	2
Granted loans	603
Other receivables	4
Non-current assets	
Tangible assets	112
Current liabilities	
Financial liabilities	-198
Trade payables	-9
Provision	-145
	369

The initial accounting for the acquisition of Zlibo Consult AG, Zug, Switzerland, was only made on a provisional basis at the end of the reporting period. For tax purposes, the tax balance sheet values of the assets of Zlibo Consult AG, Zug, Switzerland, must be reset based on the market values of the assets. At the time of the completion of these consolidated financial statements, the necessary market assessments and other calculations had not been finalized yet. Therefore they were determined based on the Board of Director's best estimate of the expected tax values.

The receivables acquired in connection with these transactions, which mainly consist of receivables from the tax office from VAT claims, have a fair value of kEUR 4 and gross contract amount of kEUR 4. The best estimate on the contractual cash flows (collectability is not expected) amounts to kEUR 0 at the time of acquisition.

d) Gain on a bargain purchase

	Zlibo Consult AG in kEUR
Consideration transferred	369
Less: fair value of net assets acquired	-369
Gain on bargain purchase	**0**

No goodwill is included in the acquisition of Zlibo Consult AG, Zug, Switzerland. The contracting parties agreed to pay exactly the value as consideration, which corresponds to the fair value of the acquired net assets at the time of acquisition.

No incidental costs incurred for the described business combination.

e) Net cash outflow from acquisition

	2016 in kEUR
Consideration in form of cash	369
Less: acquired cash and cash equivalents	-2
	367

From the consideration in the amount of kEUR 369, kEUR 40 were paid to the seller up to the balance sheet date of 31 December 2016.

f) Effects on the consolidated financial statements

Sales revenues generated by Zlibo Consult AG, Zug, Switzerland, are not included in the sales revenues of these consolidated financial statements. The contribution to the result from Asset Management is kEUR -31. In addition, other not directly attributable expenses in the amount of kEUR 260 were included in the consolidated profit of the year.

If the acquisition of Zlibo Consult AG, Zug, Switzerland, had taken place on 1 January 2016, the company would have contributed kEUR 108 to other income from Asset Management and kEUR 48 to the total from Asset Management. Other not directly attributable expenses amount to kEUR 445. According to the Board's estimation, however, these "pro forma" information can not be simply projected onto future periods, since Zlibo Consult AG, Zug, Switzerland, took over important services for the Solidare-Group and thus does not provide a benchmark for the future profitability of the Group on a yearly basis.

7 SEGMENT REPORTING

A business segment as defined by IFRS 8 is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker (Board of Directors) to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The Solidare-Group is engaged in the development and trading of properties in the segment of micro-apartments. All properties held by Solidare-Group are located in the Rhine-Ruhr region. Due to the uniform characteristics of the real estate portfolio and the narrow geographic area, there is no division of the business into segments. The group controlling of the operating results is made on a global basis without differentiations in segments like regions or investment activities.

The disclosures to assets, liabilities, expenses and profits for the only segment can be derived from the consolidated statement of financial position and income statement.

8 EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSTION

8.1 Property, plant and equipment

The book value of the property, plant and equipment as of 31 December 2016 can be derived from the following table:

	31 December 2016 kEUR	31 December 2015 kEUR
Property, plant and equipment	471	0
	471	**0**

The development of book values was as follows:

	Other tangible assets kEUR
Historical cost	
Balance at 31 Dec 2015/1 Jan 2016	**0**
Additions	118
Additions by business combination	370
Amortisations	15
Disposals	2
Balance at 31 December 2016	**471**

The property, plant and equipment consist mainly of operating and business equipment and vehicles. The additions primarily relate to the historical costs for additional operating and business equipment.

8.2 Intangible assets

The book value of the intangible assets as of 31 December 2016 can be derived from the following table:

	31 December 2016 kEUR	31 December 2015 kEUR
Software	88	0
Contracts with favourable market terms	1,021	0
	1,109	**0**

The development of book values was as follows:

	Software kEUR	Contracts with favourable market terms kEUR	Total kEUR
Historical cost			
Balance as of 31 Dec 2015/1 Jan 2016	**0**	**0**	**0**
Additions	120	0	120
Additions by business combination	0	1,134	1,134
Amortisations	32	113	145
Disposals	0	0	0
Balance as of 31 December 2016	**88**	**1,021**	**1,109**

Significant intangible assets

Solidare-Group has contracts with favourable market terms for the development of its investment property. Service contracts acquired by business combinations with a book value of EUR 1.1 million (31 December 2015: EUR 0 million) were reduced by amortisations in the amount of kEUR 113 based on a useful life of 5 years. Regarding the accounting and measurement methods of contracts with favourable market terms we refer to section 3.6 of these Notes.

8.3 Financial assets

	31 December 2016 kEUR	31 December 2015 kEUR
Loans carried at amortised cost		
Loans to related parties	283	0
Total	**283**	**0**

The financial assets are unsecured loans granted to related parties. We refer to section 11 of these Notes.

8.4 Property inventories

As of the balance sheet date 31 December 2016, the carrying amount of the property inventories amounted to kEUR 71,027 (31 December 2015: kEUR 0). A majority of the property inventories were acquired with the acquisition of solidare real estate Holding GmbH (we refer to section 5) and further developed in the course of the financial year. The development in the financial year is shown in the following table:

	Property inventories kEUR
Balance at 31 Dec 2015/ 1 Jan 2016	**0**
Additions to inventories & development of inventories	13,592
Acquisition through business combinations	57,233
Capitalisation of interest on borrowings	202
Disposals	0
Balance at 31 December 2016	**71,027**

As at 31 December 2016, property inventories include capitalised borrowing costs of kEUR 202 (previous year: kEUR 0). In the financial year, no inventories were recognised as expenses in the income statement. The realisation of inventories of approximately kEUR 71,027 is expected to take longer than twelve months.

8.5 Trade and other receivables

	31 December 2016 kEUR	31 December 2015 kEUR
Trade receivables	1,637	0
Less: allowances	-116	0
	1,521	0
Other receivables	2,375	0
Prepaid items	154	0
	4,050	**0**

The amount of kEUR 900 of the kEUR 1,521 trade receivables relate to outstanding partial invoices to Rigi Property GmbH, Bonn, within the scope of the general contract agreement concluded between these two parties. Due to expected uncollectibility, individual trade receivables were written down.

Other receivables with a book value of kEUR 2,375 relate to the still outstanding portion of the purchase price receivable (kEUR 1,829) from the sale of Rigi Property GmbH, Bonn.

Deferred income items were created for expenses that represent expenses for future periods after 31 December 2016 and mainly relate to prepayments to suppliers as well as to insurances whose maturity exceeds 31 December 2016.

The above-mentioned receivables include amounts (see age structure analysis below), which are overdue as of the reporting date, for which the Group, however, has not recognised impairments. In particular, this applies to the still outstanding portion of the purchase price receivable from the sale of Rigi Property GmbH, Bonn, which has been overdue for more than 60 days and one open partial invoice under the general contract agreement between PRIMUS Asset GmbH and Rigi Property GmbH, Bonn. In both cases, no impairments were made, since Solidare is still considered to be the legally enforceable nature of the claim. We refer to section 10 of these Notes.

	31 December 2016 kEUR	31 December 2015 kEUR
Less than 60 days	500	0
60 to 90 days	500	0
91 to 120 days	0	0
120 days +	0	0
	1,000	**0**

The following table shows the receivables according to their maturities:

	Less than 1 year kEUR	1 to 5 year kEUR	5 years + kEUR	Total kEUR
Trade receivables	1,521	0	0	1,521
(31 December 2015)	*(0)*	*(0)*	*(0)*	*(0)*
Other receivables	2,375	0	0	2,375
(31 December 2015)	*(0)*	*(0)*	*(0)*	*(0)*
Prepaid expenses	154	0	0	154
(31 December 2015)	*(0)*	*(0)*	*(0)*	*(0)*
Total	**4,050**	**0**	**0**	**4,050**

8.6 Cash and cash equivalents

In the consolidated statement of financial position as of 31 December 2016 cash and cash equivalents amounted to kEUR 1,461 (31 December 2015: kEUR 0).

8.7 Assets classified as held for sale

As of 31 December 2016, the non-current assets held for sale totalled kEUR 18,960 (previous year: kEUR 4,034) and pertain mostly to property assets of 4.Rigi Property GmbH, for which a purchase contract has been signed on 25 November 2016. In addition, the non-current assets held for sale relate to the remaining 3.23% participation in Rigi Property GmbH, Duesseldorf. There is an agreement with the buyer to sell the remaining 3.23% as well.

The assets classified as held for sale as of 31 December 2015 in the amount of kEUR 4,034 were disposed of in the reporting period as part of the capital reduction of the Company by allocation of 100% of shares in Taiga Atlas plc (former: Xanthus Spec 1 Limited), Malta, and its subsidiaries Boreal United (former: Xanthus Special Investment 1) Limited, Malta, and North Wall Production Limited, Cayman Island. We refer to section 4 of these Notes.

8.8 Shareholders' equity

Solidare Real Estate Holding plc, Malta, has an authorised capital of 300,000,000 ordinary shares (common stock) as of 31 December 2016 (31 December 2015: 300,000,000 ordinary shares) with a nominal value of EUR 1,00 which do not entitle the subscriber to a fixed profit. As of 31 December 2016 40,800,000 ordinary shares (31 December 2015: 19,757,762 ordinary shares) were issued any fully paid.

	Number of shares		Common stock		Additional paid-in capital	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	'000	'000	kEUR	kEUR	kEUR	kEUR
Issued and fully paid-in capital: ordinary shares of par value EUR 1.00	40,800	19,758	40,800	19,758	0	0

The movement in issued and paid-in ordinary shares of Solidare Real Estate Holding plc, Malta, during the reporting period was as follows:

	1 Jan to 31 Dec 2016
	Thousand shares
Balance as of 1 January 2016	**19,758**
Capital reduction on 22 February 2016	-16,219
Capital reduction on 4 May 2016 (see section 4)	-1,563
Capital increase on 17 June 2016 (see section 5)	38,000
Capital increase on 22 June 2016	824
Balance as of 31 December 2016	**40,800**

The issued share capital of the Company was reduced by the cancellation of 16,218,986 ordinary shares issued by the Company leaving a balance of 3,538,776 ordinary shares issued and outstanding in accordance with the unanimously approved resolution No 1 of the Extraordinary General Meeting of the Company held on 19 November 2015. This cancellation has become effective with value of 22 February 2016. The purpose of the reduction was to offset losses incurred.

In a second step, the issued share capital of the Company was reduced by the cancellation of 1,563,000 ordinary shares issued by the Company leaving a balance of 1,975,776 ordinary shares issued and outstanding. Thereby the unanimously approved resolution No 2 of the Extraordinary General Meeting of the company held on 19 November 2015 has become effective with value of 4 May 2016. The purpose of the reduction was to transfer all of the Company's holdings of shares in Taiga Atlas p.l.c, to the existing shareholders of Xanthus Holdings p.l.c., Malta, in proportion to their shareholding in Xanthus Holdings p.l.c., Malta.

With effect from 17 June 2016, the Company acquired 100% of the shares in solidare real estate holding GmbH, Duesseldorf, for a total consideration of kEUR 38,000. The consideration was paid by the issue of 38.000.000 ordinary shares at par value of EUR 1,00 per share (see section 5).

Moreover, the former majority shareholder of the Company subscribed a capital increase on 22 June 2016 of kEUR 824. As a result of all transactions, the Company has issued 40,800,000 ordinary shares as of 31 December 2016.

The retained earnings of kEUR 1,392 (31 December 2015: accumulated losses of kEUR -18,626) disclosed in the consolidated statement of financial position as of 31 December 2016 contain loss carry forwards of kEUR -844 (31 December 2015: kEUR -17,977) and the profit earned in the reporting period of kEUR 2,236 (2015: kEUR -649).

As of 31 December 2016 non-controlling interests (minority interests) in the Solidare-Group of kEUR 4,026 (31 December 2015: kEUR 0) existed stemming from all group companies, in which the Company does not hold 100% of the shares via solidare real estate holding (see section 4).

In the period from 1 January to 31 December 2016, the Solidare-Group did not grant any share-based options or payments.

8.9 Financial liabilities

	31 December 2016 kEUR	31 December 2015 kEUR
Unsecured — amortised cost		
Loans granted from related parties	9,202	0
Loans granted from third parties	1,513	0
Current accounts	161	0
	10,876	0
Secured — amortised cost		
Bank loans	26,866	0
Loans granted from third parties	0	0
Current accounts	0	0
	26,866	0
	37,742	0

As of 31 December 2016, all financial liabilities are classified as short-term.

All financial liabilities as of the balance sheet date are used to finance the company in the short term. In the financial year 2017, several new contracts were concluded to replace the previous financing (see section 19 of these Notes).

The material loan terms as of 31 December 2016 are as follows:

	Currency	Interest fix/variable	Average interest rate %	Remaining amount kEUR	Consolidated statement of financial position kEUR
Mortgage loans Sparkasse Muehlheim – 2. Rigi Property GmbH	EUR	variabel	1.60*	4,500	4,500
Mortgage loans Kreissparkasse Weilburg – 2. Rigi Property GmbH	EUR	variabel	3.00*	2,174	2,174
Mortgage loans Volksbank Limburg – 3. Rigi Property GmbH	EUR	variabel	3.00*	2,186	2,186
Mortgage loans Sparkasse Muehlheim – 3. Rigi Property GmbH	EUR	variabel	1.40*	1,958	1,958
Mortgage loans Sparkasse Muenster-land Ost – 4. Rigi Property GmbH	EUR	variabel	2.20*	6,500	6,500
Mortgage loans Volksbank Warendorf – 4. Rigi Property GmbH	EUR	variabel	1.95*	3,250	3,250
Mortgage loans Volksbank Dortmund – 4. Rigi Property GmbH	EUR	variabel	1.95*	3,250	3,250
Mortgage loans Sparkasse Muenster-land Ost – ONO Student GmbH	EUR	fix	2.00	48	48
Mortgage loans n Volksbank Waren-dorf – ONO Student GmbH	EUR	variabel	1.95*	3,000	3,000
Total					**28,866**

* Interest adjustments are dependent on the development of the benchmark interest rate of 3-months-EURIBOR

Loans granted by related parties were concluded at interest rates between 5.0% and 12.0% per annum. We refer to section 11 of these Notes. Unsecured loans from third parties will be charged at an interest rate of 5.0% per annum.

The following table shows the remaining maturity date of the financial liabilities as of 31 December 2016:

	Thereof remaining maturity date until 1 year	Thereof remaining maturity date 1 to 5 years	Thereof remaining maturity date over 5 years	Consolidated statement of financial position
	kEUR	kEUR	kEUR	kEUR
Loans granted from related parties	9,202	0	0	9,202
Loans granted from third parties	1,513	0	0	1,513
Loan of overdraft	161	0	0	161
Mortgage loans Sparkasse Muehlheim – 2. Rigi Property GmbH	4,500	0	0	4,500
Mortgage loans Kreissparkasse Weilburg – 2. Rigi Property GmbH	2,174	0	0	2,174
Mortgage loans Volksbank Limburg – 3. Rigi Property GmbH	2,186	0	0	2,186
Mortgage loans Sparkasse Muehlheim – 3. Rigi Property GmbH	1,958	0	0	1,958
Mortgage loans Sparkasse Muensterland Ost – 4. Rigi Property GmbH	6,500	0	0	6,500
Mortgage loans Volksbank Warendorf – 4. Rigi Property GmbH	3,250	0	0	3,250
Mortgage loans Volksbank Dortmund – 4. Rigi Property GmbH	3,250	0	0	3,250
Mortgage loans Sparkasse Muensterland Ost – ONO Student GmbH	48	0	0	48
Mortgage loans Volksbank Warendorf – ONO Student GmbH	3,000	0	0	3,000
Total				**37,742**

8.10 Trade payables

In the consolidated statement of financial position as of 31 December 2016, trade payables of kEUR 935 (31 December 2015: kEUR 89) are disclosed resulting from the development of the properties. Liabilities to affiliated companies in the amount of kEUR 307 are included in trade payables.

8.11 Other liabilities

	31 December 2016 kEUR	31 December 2015 kEUR
Other financial liabilities		
Liabilities from the acquisition of shares	329	0
Total other financial liabilities	**329**	**0**
Other non-financial liabilities		
Liabilities to tax authorities	122	0
Liabilities from wages and salaries	93	0
Deferred income	54	0
Other	335	0
Total other non-financial liabilities	**604**	**0**
Total	**933**	**0**

Other financial liabilities relate entirely to the outstanding portion of the purchase price liability from the acquisition of Zlibo Consult AG, Zug, Switzerland.

Other non-financial liabilities relate to sales revenue and wage tax liabilities, wages and salaries liabilities, and deferred income. Deferred income items are primarily formed for rents received, which represent rental income for the upcoming periods after 31 December 2016.

8.12 Provisions

The balances of the provisions are as follows:

	31 December 2016 kEUR	31 December 2015 kEUR
Land reclamation	3,267	0
Other provisions	1,022	106
	4,289	**106**

As of 31 December 2016, all provisions are short-term in their nature.

	Land reclamation kEUR	Other provisions kEUR	Total TEUR
Balance at 1 January 2016	0	106	106
Additional provisions recognised	0	87	87
Acquisition through business combinations	3,894	1,371	5,265
Reductions arising from payments/other sacrifices of future economic benefits	-627	-388	-1,015
Reductions resulting from re-measurement or settlement without cost	0	-154	-154
Unwinding of discount and effect of changes in the discount rate	0	0	0
Balance at 31 December 2016	**3,267**	**1,022**	**4,289**

8.12.1 Provision for land reclamation

Based on a property purchase agreement, one of the group companies is obliged to reclaim the land. The expected reclamation costs were accrued for. The project will be completed in 2017 so that the property can be developed as planned.

8.12.2 Other provisions

Other provisions relate to provisions for taxes (kEUR 891) as well as to outstanding invoices for legal, consulting and tax services and tax accruals (kEUR 131). Based on their short-term classification, a cash outflow is expected to be incurred within one year.

9 NOTES TO THE CONSOLIDATED INCOME STATEMENT

9.1 Results from asset management

The rental income for the property inventories corresponds to the agreed rents in the respective rental agreements in the reporting period. Mainly 3. Rigi Property GmbH and 4. Rigi Property GmbH generated rental income in the reporting period, as the remaining properties were renovated and upgraded during the financial year.

Other income from asset management includes further operating costs and income from rental services such as facility management, administration and management of buildings, including their technical facilities and installations (property management).

Expenses related to property assets include expenses in connection with the maintenance of the property assets, which do not lead to a significant improvement or structural change of the property, as well as operating costs, which are partially charged out to tenants. This item also includes personnel and material expenses in connection with the rental and administration of properties including all provided services in the area of property management. The personnel expenses directly attributable to the Asset Management amounted to kEUR 215 in the current financial year.

9.2 Results from property development & sales

The results from property development & sales includes income from the sale of the Group's property, including income from apartment sales and block sales (property or portfolio sales).

The item also includes other income generated from services to third parties in the area of property development. The provided services include, in particular, planning, architecture and renovation services.

Expenses from property development & sale comprise all personnel and material expenses related to the development of the Solidare's property portfolio which can not be capitalised since they are not attributable to a specific project or do not relate to expenses before the start of the project as well as to expenses provided to third parties in the area project development. Costs directly attributable to the sale of objects are also recognized under this item.

9.3 Other not directly attributable expenses

Not directly attributable expenses consist of expenses which are not directly attributable to the different revenue streams (asset management and property development & sales). They consist of the following expenses:

	1 Jan 2016 – 31 Dec 2016 kEUR	1 Jan 2015 – 31 Dec 2015 kEUR
Other not directly attributable expenses		
Legal, audit and consulting expenses	397	191
Administration expenses	392	114
Personnel expenses	170	0
Amortisations	160	0
Rental and office expenses	124	0
IT and communication expenses	41	0
Other	18	0
Total	**1,302**	**305**

The legal, audit and consulting expenses primarily relate to consulting expenses for acquisitions, auditing and tax consulting expenses as well as other legal and consulting expenses. The other not directly attributable expenses include depreciation on tangible and intangible assets in the amount of kEUR 160.

9.4 Gain on a bargain purchase

This item shows the difference between consideration transferred and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed from the acquisition of subsidiaries. This negative differences is recognised in the income statement. The gain on a bargain purchase of kEUR 2.561 results from the acquisition and the subsequent valuation of solidare real estate holding GmbH. We refer to our detailed explanations in section 5 of these notes.

9.5 Financial result

The financial result is broken down as follows:

	1 Jan 2016 – 31 Dec 2016 kEUR	1 Jan 2015 – 31 Dec 2015 kEUR
Financial result		
Financial expense	-566	0
Financial income	127	0
Total	**-439**	**0**

The financial expense primarily results from interest paid and deferred interest for loans received. The financial income results from interest on cash and cash equivalents as well as from interest on interest-bearing loans and receivables issued by the Solidare.

In the financial year 2016, the financial expense in the amount of kEUR 202 was reduced by capitalised borrowing costs on the property inventories under development. The weighted average cost of borrowed capital was 2.79%.

9.6 Income taxes

In Malta, no separate corporate income tax system exists. A company is subject to the income tax like an individual person. All companies located in Malta are subject to a nominal income tax rate of 35%. Since the introduction of the income tax in Mallta in 1948 there is an imputation system of income taxes, e. g. the income taxes paid by a company will be imputed/refunded on the level of its shareholers at the time of a dividend payment. This system applies for Maltese shareholders as well as for non-resident shareholders.

The Board of Directors of Solidare Real Estate Holding plc plans to generate revenues via dividend income from its German subsidiary solidare real estate holding GmbH. From an income tax perspective, solidare real estate holding GmbH basically generates profit form the following two sources of income streams:

- Dividend income/capital gains which would be exempted from income taxes in Malta through the application of the participation exemption under the Maltese tax law.
- Other income.

Foreign income taxes are calculated using the tax rate applicable in the respective countries, which varies from 0% to 35%. Besides Malta, the Solidare-Group is also represented in Germany and Switzerland with Group companies. In Germany all Group companies – except for VFS Grundstuecks AG – are structured in the legal form of limited liability companies (GmbH), this means they are subject to corporation tax, trade tax and the solidarity surcharge. The property companies, which are the substantial part of the Group's activities, essentially managing asset and thus are trade tax-exempted. Therefore, these companies are only subject to corporation tax plus the solidarity surcharge payable on this. Therefore, a nominal income tax rate of 15.83% is applied here. In case of the minor German service companies in the Solidare-Group, the commercial tax has to be calculated additionally, which results in a formal tax on income tax of 30.5%.

The Swiss Group is subject to domicile taxation since it generates the major portion of its sales revenues in non-Swiss countries. Therefore, the income tax rate is 0%.

The components of the income taxes of Solidare-Group for the reporting period are as follows:

	1 Jan – 31 Dec 2016 TEUR
Current taxes	
Malta	0
Abroad	-152
Deferred taxes	-1,140
Income taxes (+ expense / -earnings)	**-1,292**

The Solidarity-Group's tax expense for the reporting period 2016 can be referred to the income of the year as follows:

	2016 kEUR	2015 kEUR
Profit before tax from continuing operations	1,210	-305
Income tax expense calculated at 15.83% (2015: 35.0%)	-191	-107
Effects of different tax rates	-98	0
Effects from gain of a bargain purchase	405	0
Expenses and income with no tax effects	36	107
Deferred tax income	1,140	0
Effective tax burden	**-1,292**	**0**

The tax rate applied to the above-mentioned reconciliation for 2016 corresponds to the company tax rate of 15.83% on taxable profits according to the German tax law, which is to be paid by the most important group property companies in Germany. These German property companies were active in the Group network for the first time in the financial year 2016. The tax rate applied for 2015 corresponds to the applicable nominal tax rate of the parent company in Malta.

As at 31 December 2016, there are no current income tax assets or current income tax liabilities. For the amount of tax provisions, please see section 8.12.

Deferred tax assets as of the balance sheet date in the consolidated statement of financial position in the Solidare-Group are as follows:

	31 Dec 2016 kEUR	31 Dec 2015 kEUR
Valuation of intangible assets (deferred tax liabilities)	162	0
Valuation of properties (deferred tax liabilities)	7,226	0
Valuation of provisions (deferred tax assets)	18	0
Tax loss carry forwards (deferred tax assets)	131	0
Total deferred tax assets	**149**	**0**
Total deferred tax liabilities	**7,388**	**0**

Under the tax laws prevailing in Malta tax loss carry forwards may be carried forward and offset against future profits without any time restrictions. Companies forming part of a group may benefit from group relief provisions in respect of allowable losses which are surrendered. However, group relief only applies to companies' resident in Malta, and such companies that are deemed to form part of a group if one or more companies are owned, directly or indirectly, as to at least fifty-one per cent.

The Swiss Group has no significant tax loss carry forwards.

No deferred tax assets were capitalised for the loss carryforwards for corporate income tax in the amount of kEUR 2,633 and for trade income tax in the amount of kEUR 3,993 of VSF Grundstuecks AG due to the complete change of ownership in the past and the current, not fully resolved legal situation.

The Company assumes to realise deferred tax assets in accordance with IAS 12 to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. However, tax loss carried forwards can only be used in the future if they do not belong to non-taxable income. On this basis deferred tax assets and liabilities are disclosed. In addition, deferred tax assets result from the lower tax valuation of other provisions.

The deferred tax liabilities are mainly due to the temporary differences between the recognition of hidden reserves in the property inventories disclosed in the financial year due to the acquisition of the entity in the consolidated statement of financial position and the lower tax values. We refer to section 5.

9.7 Result from discontinued operations

Already in the last financial year, the shareholders of Xanthus Holdings p.l.c. (now: Solidare Real Estate Holding plc) decided to transfer the investment business to its shareholders by the separation of the subsidiary and its participations and a capital reduction. After the legal terms this transaction became effective on 4 May 2016.

The result from discontinued operations can be analysed as follows:

	1 Jan 2016 – 31 Dec 2016 kEUR	1 Jan 2016 – 31 Dec 2015 kEUR
Investment income		
Interest income	84	229
Other financial income	117	8
Gain on revaluation of assets and liabilities	112	49
Total investment income	**313**	**286**
Investment costs		
Legal and consulting expenses	-79	-85
Other not directly attributable expenses	-93	-299
Interest expenses	-125	-246
Total investment costs	**-297**	**-630**
Result before tax	**16**	**-344**
Income tax expenses	0	0
Loss on disposal of the business	-136	0
Loss for the period from discontinued operations	**-120**	**-344**

9.8 Earnings per share

Information about earnings per share are in accordance with IAS 33.

	1 Jan 2016 – 31 Dec 2016 EUR/Share	**1 Jan 2015 – 31 Dec 2015** EUR/Share
From continuing operations	0.09	-0.01
From discountinued operations	0.00	-0.02
	0.09	**-0.03**

The results and the weighted average number of shares for basic earnings per share are as follows:

	1 Jan 2016 – 31 Dec 2016 kEUR	**1 Jan 2015 – 31 Dec 2015** kEUR
Profit for the period attributable to the owners of the Company	2,236	-649
Profit for the period used in the calculation of basic earnings per share	2,236	-649
Loss from discontinued operations used in the calculation of basic earnings per share from discontinued operations	-120	-344
Profit for the period from continuing operations used in the calculation of basic earnings per share from continuing operations	**2,356**	**-305**

	1 Jan 2016 – 31 Dec 2016 Thousands of shares	**1 Jan 2015 – 31 Dec 2015** Thousands of shares
Weighted average number of shares for the calculation of basic earnings per share	25,802	19,758

No diluted effects existed neither in the reporting period nor in the comparable last year period because the Solidare-Group does not use such instruments. Therefore, there are no rights from any person which could lead to a dilution.

10 LEGAL DISPUTES

In May 2016, solidare real estate holding GmbH sold 91.67% of its shares in Rigi Property GmbH before they were acquired by Solidare Real Estate Holding plc. In connection with the sale, a general contractor agreement was also concluded between the property company Platanenweg 29, Bonn, S.a.r.l. and PRIMUS Asset GmbH for the renovation of the before-mentioned property. Since the property company Platanenweg 29, Bonn, S.a.r.l. did not balance a first instalment invoice from PRIMUS Asset GmbH in the amount of kEUR 500 from 12 October 2016, PRIMUS Asset GmbH was able to obtain a debt-securing mortgage in an equal amount to secure its claim. Within the context of a court settlement, PRIMUS Asset GmbH committed itself in February 2017 to the deletion of the obtained land mortgage. In return, they received a guarantee of BayernLB in the amount of kEUR 270. Further court proceedings on the legality of the work-related remuneration and the effectiveness of the termination of the general contractor contract are still running.

In addition, the Solidare-Group was not involved in any further legal disputes as of 31 December 2016.

11 RELATED PARTY DISCLOSURE

According to IAS 24 "Related Party Disclosures" an entity is required to identify all relationships and transactions with related parties and individual persons, since the relationships can have an impact on net worth, financial and profit situation of the Solidare-Group.

Intergroup transactions, which are related parties in the sense of IAS 24, are eliminated in the preparation of Interim Consolidated Financial Statements of the Xanthus Group and will not be mentioned in this note. We refer to section 4 for the presentation of all subsidiaries.

All members of the governing body of the Solidare-Group (the Board of Directors) and their immediate family members are deemed to be related parties from the point of view of Solidare Real Estate Holding plc, Malta, in accordance with IAS 24 Related Party Disclosures.

Zeki Yigit, Member of the Board of Directors of Solidare Real Estate Holding plc, Malta, ist the sole owner and Managing Director of Suryoyo Holding GmbH, Duesseldorf, one of the shareholders of Solidare Real Estate Holding plc, Malta.

As of 31 December 2016 the Company discloses several short-term loans due to Suryoyo Holding GmbH, Duesseldorf, at a total book value of kEUR 7,756 (31 December 2015: kEUR 0) shown as financial liabilities in the consolidated statement of financial position.

Mrs. Feride Can, sister of Mr. Zeki Yigit, is the sole shareholder and managing director of Paulus Holding GmbH, Guetersloh.

In the consolidated statement of financial position as of 31 December 2016, the entity reported a current loan liability to Paulus Holding GmbH, Guetersloh, in the amount of kEUR 1,041 (31 December 2015: kEUR 0) under financial liabilities.

Mr. Petrus Can, son of Mrs. Feride Can, is the sole shareholder and managing director of Gauss Consult GmbH, Guetersloh.

In the consolidated statement of financial position as of 31 December 2016, the company has reported trade payables to Gauss Consult GmbH, Guetersloh, in the amount of kEUR 45 (31 December 2015: kEUR 0). In the reporting period 2016, Gauss Consult GmbH, Guetersloh was charged with a total of kEUR 378 for deliveries and services.

Mr. Genco Yigit, brother of Mr. Zeki Yigit, is the sole shareholder of Genco Handels & Vertriebsgesellschaft mbH, Bad Laer, which is the sole shareholder of Valvero GmbH, Bad Laer.

In the consolidated statement of financial position as of 31 December 2016, the company has reported trade payables to Valvero GmbH, Bad Laer, in the amount of kEUR 42 (31 December 2015: kEUR 0). In the reporting period 2016, Valvero GmbH, Bad Laer, was charged with a total of kEUR 1,513 for deliveries and services.

René Mueller is member of the Board of Directors of Solidare Real Estate Holding plc, Malta.

In the consolidated statement of financial position as of 31 December 2016, the entity reported directly and indirectly various loan receivables to René Mueller in a total value of kEUR 283 (31 December 2015: kEUR 0) under financial assets.

Patrick Rehberger is Managing Director of solidare real estate holding GmbH, Duesseldorf, and of other group companies. Moreover, he is also Managing Director of one of the shareholer of Solidare Real Estate Holding plc, Malta, the Suryoyo Holding GmbH, Duesseldorf, as well as of other companies, which do not belong to the Solidare-Group. One of these non-Solidare companies, PA.RE Real Estate Holding GmbH, Saarbruecken, granted a loan of kEUR 405 (31 December 2015: kEUR 0) to the Solidare-Group which is shown as financial liabilities in the equal amount in the consolidated statement of financial position as of 31 December 2016. In addition, business shares were sold to PA.RE Real Estate Holding GmbH whose purchase price was not yet fully settled. They are reported under other receivables in the consolidated statement of financial position as at 31 December 2016 in the amount of kEUR 329 (31 December 2015: EUR 0).

12 OPERATING LEASE ARRANGEMENTS

12.1 The Group as lessee

The Group's rental and lease agreements mainly consist of rented administration buildings, company vehicles and office equipment.

The payments recognised as an expense from operating leases are reported in the income statement under other not directly attributable expenses and are as follows:

	31 Dec 2016 kEUR	31 Dec 2015 kEUR
Minimum lease payments	97	2
Contingent rentals	0	0
Sub-lease payments received	30	0
	67	2

The future minimum lease payments from non-cancellable operating leases are as follows:

	31 Dec 2016 kEUR	31 Dec 2015 kEUR
Less than 1 year	86	2
1 to 5 years	99	2
5 years +	0	0
	185	4

The lease commitments relate in particular to the rent of the business premises of solidare real estate holding GmbH and its subsidiaries in Duesseldorf. This is a typical commercial lease contract. The contract includes a price adjustment clause depending on the development of the consumer price index in Germany.

12.2 The Group as lessor

The operating leases in which the Group is the lessor relate to the investment property owned by the Group. For the respective property, the Group concluded General Lease Commitments with third parties on fixed maturities and without any price adjustment clauses.

The future minimum lease payments from non-cancellable operating leases are as follows:

	31 Dec 2016 kEUR	31 Dec 2015 kEUR
Less than 1 year	699	0
1 to 5 years	466	0
5 years +	0	0
	1,165	0

In the reporting period 2016, contingent rents have not been recognized as income in the income statement.

13 INFORMATION ON FINANCIAL INSTRUMENTS

13.1. Classes and categories of financial instruments

IFRS 7.6 requires the breakdown of the financial instruments by classes and the reconciliation of the items reported in the statement of financial position. The formation of the classes is determined by the reporting company itself and is therefore generally different from the categories defined according to IAS 39, which are recorded for the purposes of the valuation of the financial instruments.

Accordingly, similar financial instruments were grouped into one class. The definition of the classes also took account of the possibility of a simple transition to the items shown in the statement of financial position. As a result, the following classes were defined in this consolidated financial statements: Trade and other receivables, other financial assets and cash and bank balances on the assets side as well as loans from banks, other financial liabilities, trade payables, liabilities from the share acquisition and other liabilities on the shareholders' equity and liabilities side.

In addition to the classification of financial instruments into classes, IFRS 7 requires the disclosure of the carrying amounts of the financial assets and liabilities according to the categories of IAS 39. The following tables show the carrying amounts and fair values of the individual financial assets and liabilities for each individual class as well as by category according to IAS 39The following tables show the carrying amounts and fair values of financial assets and reconciles the amount to the corresponding line item in the Group's statement of financial position. Since the statement of financial position item "Other liabilities" contains financial instruments and non-financial liabilities, the column "Non-FI" allows the complete reconciliation to the items of the statement of financial position.

Allocation of financial instruments into categories of IAS 39

Solidare has only financial assets and liabilities that are measured at amortised cost. On the other hand, there are no financial assets and liabilities at fair value. The further categorisation of the financial assets and liabilities pursuant to IAS 39 are presented in the following table:

	L&R	Non-FI		
Assets in kEUR	Amortised costs	Not subject to IFRS 7	Book value at 31 Dec 2016	Fair Value at 31 Dec 2016
Trade and other receivables	**4,050**	**0**	**4,050**	**4,050**
Trade receivables	1,521	0	1,521	1,521
Other receivables	2,529	0	2,529	2,529
Other financial assets	**283**	**0**	**283**	**283**
Loans granted	283	0	283	283
Cash and bank balances	**1,461**	**0**	**1,461**	**1,461**
TOTAL ASSETS	**5,794**	**0**	**5,794**	**5,794**

	FLAC	Non-FI		
Equity and liabilities in kEUR	Amortised costs	Not subject to IFRS 7	Book value at 31 Dec 2016	Fair Value at 31 Dec 2016
Financial liabilities	**37,742**	**0**	**37,742**	**37,742**
Bank loans	26,866	0	26,866	26,866
Other financial liabilities	10,876	0	10,876	10,876
Trade payables	**935**	**0**	**935**	**935**
Other liabilities	**329**	**604**	**933**	**933**
Liabilities from acquisition of shares	329	0	329	329
Remaining other liabilities	0	604	604	604
TOTAL EQUITY AND LIABILITIES	**39,006**	**604**	**39,610**	**39,610**

L&R: loans and receivables
FLAC: financial liabilities at amortised cost
Non-FI: non-financial asset/liabilities

Allocation of financial instruments into categories of IAS 39 - previous year

In the previous year, Solidare had no financial assets. The financial liabilities were as follows:

	FLAC	Non-FI		
Equity and liabilities in kEUR	Amortised cost	Not subject to IFRS 7	Book value at 31 Dec 2016	Fair Value at 31 Dec 2016
Trade payables	**89**	**0**	**89**	**89**
TOTAL EQUITY AND LIABILITIES	**89**	**0**	**89**	**89**

FLAC: financial liabilities at amortised cost
Non-FI: non-financial asset/liabilities

Trade receivables are stated at short notice or are determined considering any possible value adjustments, which is why their fair value corresponds to the book value. The same applies to cash and cash equivalents and other receivables. The carrying amount of the loans granted included under other financial assets also corresponds to the amortised cost.

Loans granted by banks are generally valued at amortised cost. The remaining financial liabilities mainly consist of loans from related parties and third parties and are valued analog to the bank loans

13.2. Net profit and losses

According to IFRS 7.20 (a), the net gains and losses are required for each category of financial instruments as defined in IAS 39.9. For Solidare, they are as follows:

Figures in kEUR **Category**	**Valuation**	**Value adjustments**	**Result from disposal or repurchase**	**Other gains or losses**	**Net profi/ net loss**
L&R	Amortised costs	-116	0	127	11
FLAC	Amortised costs	0	0	-566	-566

L&R: loans and receivables
FLAC: financial liabilities at amortised cost

In the previous year, no corresponding net gains and losses were recognised.

14 FINANCIAL RISK MANAGEMENT

14.1 Financial risk management objectives

As a property portfolio owner and developer, the Solidare-Group is exposed to various risks. With an effective and consistent risk management, the company ensures that developments that could jeopardise strategic and operational goals are recognised in time and considered in the respective decision-making processes.

The Solidare-Group is actively trying to counteract risks by the means of internal regulations, reporting systems and control procedures to monitor, evaluate and manage the risks of the operating business.

The risk management is carried out in all Solidare-Group's levels and is managed by the Board of Directors which is involved in all risk-relevant decisions. Within the risk process, the risks are identified and analysed on a company level and in the operating units. For each risk, the probability of occurrence as well as the potential damage are collected and considered in business decisions. Measures and controls are carried out to counter-control the identified risks as well as to minimize damages.

The most important risk factors are financial as well as market and property-specific risks. The main financial risk factors are fluctuations in the capital and property markets, changes in interest rates and the deterioration in the credit standing and solvency of customers and business partners.

For the future, a further expansion of the risk management as well as the formalisation and institutionalisation of existing processes are planned.

14.2 Market and financial risks

The refinancing is of high strategic importance to the Solidare-Group. The Solidare-Group's business activities have a high capital requirement, which exposes the Group to significant financial risks. Significant fluctuations in the capital and property markets may make the raising of financing funds more difficult. In order to keep the refinancing risk low, the Solidare-Group is taking care for a balanced mix of equity and borrowed capital, as well as for different maturities of the financing, in line with the overall strategy for the respective financed property. Due to the successful completion of the refinancing in the financial year 2017 (see section 19), most of the property portfolio is now having non-current loans.

In order to receive or to continue to receive loans, the Solidare-Group must fulfill certain obligations according to the agreements with the lenders. The compliance with these obligations is permanently monitored by the Solidare-Group and is therefore in close contact with the lenders. If these obligations are not fulfilled, the lender may terminate the credit agreement under certain circumstances. Currently, no material failures are known or expected which could influence the business activities of the Solidare-Group in a negative way.

In order to avoid risks of the capital market compliance, the Solidare-Group actively monitors compliance to ensure the compliance with the capital market commitments and, in particular, to prevent the misuse or dissemination of insider information.

14.3 Interest rate risk management

Solidare-Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. Interest rate increases can affect the results of the Solidare-Group through higher interest expenses for existing variable borrowing. A change in the interest rate has a direct impact on the Solidare-Group's financial result in the case of a floating interest rate borrowing. New borrowings are carefully chosen with the purpose of ensuring the lowest possible interest rate on a long term basis. In order to avoid interest rate risks, the Solidare-Group is increasingly seeking to replace borrowings with floating interest rates with fixed rates. In the first half-year of 2017, current floating interest rate borrowings were almost entirely offset by non-current borrowings with a fixed interest rate (see section 19).

14.4 currency risk management

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. These exchange rate risks are due to the subsidiary in Switzerland and are only marginally. From management's perspective, forward foreign exchange contracts are therefore not necessary to hedge the risks.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2016	2015	2016	2015
	kEUR	kEUR	kEUR	kEUR
CHF	290	0	536	0

14.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. It is planned to adopt a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The credit risk on receivables due from tenants is low. In general, tenants are required to provide collateral. The credit risk for receivables due from banks is also considered to be low since all financial transactions are concluded with financial institutions with good credit ratings.

14.6 Liquidity risk management

Liquidity risks are minimized due to medium-term liquidity planning. A liquidity management, combined with the regular and extensive reporting to the Solidare-Group's management, ensures that the operational commitments are met, funds are optimally invested and the flexibility for current acquisition opportunities is preserved.

The Solidare-Group also uses non-current financing, which considers the economic viability of the property. In order to avoid cost overruns and the related excessive liquidity outflow, the Solidare-Group carries out continuous budget and construction progress monitoring during the development projects and maintenance work.

In coordination with the operating units and the management, the legal department constantly monitors pending cash outflows from legal risks.

15 CAPITAL MANAGEMENT

The Solidare-Group manages its capital with the aim to ensure that all Group companies are able to operate under the going-concern assumption while maximizing the income of the company's stakeholders by optimizing the debt-to-equity.

The capital structure of the Group consists of net debt (current and non-current financial liabilities less cash and cash equivalents) and Group equity. This comprises the capital stock, retained earnings and non-controlling interests. The Solidare-Group is not subject to any externally imposed capital requirements.

The management of solidare real estate holding GmbH reviews the capital structure of the Solidare-Group on a monthly basis. As part of the review, the management considers the costs of capital and the risk associated with each class of capital. The Solidare-Group does not have a target gearing ratio. Although it is calculated on a regular basis (see below), the amount of the debt is, however, placed in relation to the property assets. The gearing ratio is determined as the proportion of net debt to equity. While the gearing ratio was 78.49% as of 31 December 2016 (see below), the property inventories amounted to kEUR 71,027 as of 31 December 2016.

The gearing ratio at the end of the reporting period is as follows:

	31 Dec 2016 in kEUR	31 Dec 2015 in kEUR
Debt (1)	37,742	0
Cash and cash equivalents	-1,461	0
Net debt	36,281	0
Shareholders' equity (2)	46,223	1,001
Net debt to shareholders' equity ration	78.49%	n.d.
Property assets	71,027	-

(1) Debt is defined as long- and short-term borrowings. As of 31 December 2016, the Solidare-Group had only current financial liabilities.

(2) Equity includes the capital of the Solidare-Group according to the consolidated statement of financial position.

16 OTHER INFORMATION ON THE CASH FLOW STATEMENT

16.1 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash in hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated cash flow statement can be reconciled to consolidated statement of financial position as follows:

	31 Dec 2016 kEUR	**31 Dec 2015 kEUR**
Cash and bank balances	1,461	0
Cash and bank balances included in a disposal group classified as held for sale	0	47
Total	**1,461**	**47**

16.2 Non-cash transactions

In the sections 4, 5, 6 and 8.7 of these notes there are non-cash transactions listed and explained. Additional material non-cash transaction were not noted during the reporting period.

17 EMPLOYEES

As part of the acquisition of solidare real estate holding GmbH shortly before the 30 June 2016 (see section 5 of these Notes) the Company took over 23 employees. The resulting average number of employees in the reporting period was therefore 11 (prior year period: 0) and is comprised as follows:

	1 Jan – 31 Dec 2016 Number	1 Jan – 31 Dec 2015 Number
Officers	11	0
Industrial worker	0	0
	11	**0**

Total personnel expenses in the amount of kEUR 385 were incurred in the reporting period 2016.

18 GOVERNING BOARD AND COMPENSATION

In the period from 1 January to 31 December 2016 the Board of Directors of the Company comprised the following persons:

- Dr. Stefan Feuerstein (until 6 June 2016)
- Claudio Morandi (until 6 June 2016)
- René Mueller
- Zeki Yigit (since 13 May 2016).

Thomas Jacobsen is Secretary of the Company.

The Board of Directors did not receive any remunerations for the period.

19 EVENTS AFTER THE BALANCE SHEET DATE 30 JUNE 2016

On April 28 2017, the Solidare-Group received the sales revenue from the sale of the property assets of 4. Rigi Property GmbH (kEUR 18,800), which was agreed on 25 November 2016 and included in the consolidated statement of financial position as of 31 December 2016 as a substantial portion of the non-current assets held for sale which were shown separately. As a result, legal and economic effects of the purchase contract of the sale mentioned above occurred on 1 May 2017. We refer to section 8.7.

In May 2017, the company also concluded a long-term refinancing agreement with an external third party of approximately EUR 30 million for two property projects in Duesseldorf. The loans are subject to a fixed interest rate of 3.1% per annum and are fully by secured by registered land debts.

Also in May 2017, the Company concluded a financing agreement with funds, advised by the specialized international investor RoundShield Partners, in the amount of EUR 50 million. The funding agreements are subject to a fixed interest rate of 15% per annum and are secured by the first mortgage and the assignment for security of business shares.

There were no further reportable events after 31 December 2016.

20 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on 6 July 2017.

21 GUARANTEE OF THE BOARD OF DIRECTORS

In all conscience we assure, as representative for the Board of Directors of the Company, that the consolidated financial statements for the period from 1 January to 31 December 2016 are in compliance with IFRSs, as adopted by the EU, and give a true and fair view of the Group's Net Assets, Financial Position and Results of Operations.

Malta, 6 July 2017

Zeki Yigit

Independent Auditors' Report

To the Solidare Real Estate Holding plc, Valetta, Malta

We have audited the consolidated financial statements prepared by Solidare Real Estate Holding plc, – comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – for the year ended 31 December 2016. The preparation of the consolidated financial statements in accordance with those International Financial Reporting Standards (IFRS) as adopted by the EU, is the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with those IFRS as adopted by the EU, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements, comply in all material respects with IFRS as adopted by the EU and give a true and fair view of the net assets, financial position and results of operations of the Group.

Leipzig, 6 July 2017

Deloitte GmbH
Wirtschaftspruefungsgesellschaft

(Schwarz)
Wirtschaftspruefer
[German Public Auditor]

(Sauer)
Wirtschaftspruefer
[German Public Auditor]