# PYLAIA S.A.

## Annual financial report for the year ended on 31 December 2016 in accordance with International Financial Reporting Standards («IFRS»)

**PYLAIA S.A.**

Company`s General Electronic Commercial Registry No 4457001000

37A Kifissias Ave. - 151 23 Maroussi

*These financial statements have been translated from the original statutory financial statements that have been prepared in the Greek language.*

*In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document.*

# ANNUAL BOARD OF DIRECTORS' REPORT OF "PYLAIA S.A." ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016.

Dear Shareholders,

We present you information concerning Company`s activity for the year ended December 31, 2016.

## FINANCIAL POSITION OF THE COMPANY

The current financial year is the fifteenth company year and includes the period from1 January 2016 to 31 December 2016.

During the financial year, the Company's activities were consistent with the effective legislation and the Company's purpose, as described in the deed of incorporation.

The present financial statements have been prepared in accordance with the International Financial Reporting Standards. Analytical information for the basic accounting principles that are used in the preparation of the financial statements is mentioned in the explanatory notes on significant accounting policies of the annual financial statements for the year ended on 31 December 2016.

The Board of Directors informs you on the following:

**Revenues:** The Company`s revenue mainly derives from the exploitation of 'Mediterranean Cosmos' commercial and leisure centre which stood at €21,8m for the year 2016 against revenue of €21,7m for the year 2015. In total revenues of 2016, an amount of €1,8m was earned through the operation of the open-air car park versus income of €1,7m during the preceding year.

**Results:** The Company registered an after-tax profit of €10,1m in 2016 against profits of €5,6m in the previous year. A significant impact on the after-tax result had the reduction of expenses related to investment property by €0,8m year-over-year along with the fair value adjustments on investment property which recorded gains of €0,9m versus losses of €1,2m in the year 2015.

**Dividend policy:** At the Annual General Meeting of Shareholders , the Board of Directors will propose an ordinary dividend for 2016 of €0,9682 per share, totalling to €6.500.242,10.

**Financial ratios:** Company`s statistical performance is summerised in the following financial ratios as follows:

| Financial Ratios | 2016 | 2015 |
|---|---|---|
| Equity / Total Liabilities | 69,0% | 60,8% |
| Net Debt / Total Investments | 38,5% | 42,6% |
| Net Debt / Equity | 88,6% | 104,7% |
| Profit before tax and fair value adjustments on investment property /Equity | 21,1% | 20,7% |

## FINANCIAL RISK FACTORS

### Fluctuations in Property Value

Fluctuations in property values are reflected in income statement and balance sheet statement depending on their fair value. An increase in capitalization yields will have an impact on profitability and Company`s assets. However, the excellent operation of commercial shopping centre "Mediterranean Cosmos" in Pylaia Thessaloniki consists a limiting factor of the potential reduction of Shopping Centre's market value. Despite the fiscal and banking crisis, as well as the imposition of capital controls, the fair value of Company`s investment property has been favourably influenced during the year. We highlight that despite the existing factors of increased uncertainty, the produced result consists the best estimation of Company`s investment property fair value. The complete impact of the current economic conditions may influence the value of investment property in the future.

### Foreign exchange risk

The Company operates in Greece and consequently all transactions are denominated in Euro. The Company is not exposed to any foreign currency risk.

### Inflation risk

Company`s exposure to inflation risk is limited as the Company enters into long term corporate commercial agreements with tenants for a period of at least years 6, in which annual price adjustments are linked to the consumer price index plus a spread of up to 2%.

### Interest rate risk

Company's income and operating cash flows are substantially independent of changes in market interest rates as the operating cash available for investment and the interest-bearing receivables mainly depend on Euro interest rates

At the end of the reporting period, the total borrowings associated with financial instruments of floating interest rate amounted to €64,8m.

### Credit risk

Credit risk arises from credit exposure to customers, cash and cash equivalents.

Sales are mainly made to customers with an assessed credit history and credit limits while certain sale and collection terms are applied. Whenever possible, further guarantees are requested for outstanding receivables.

Income will significantly be affected in case where customers cannot fulfil their obligations either as a result of their limited economic activity or either due to the weakness of the domestic banking system. At the end of reporting period, the Company had a fully diversified portfolio, which mainly consists of well-known and profitable companies. Customers` financial position is continuously monitored. The Management estimates that there are not any customers who have exceed their credit limits other than those for whom a provision has been made.

### Liquidity risk

Company`s daily liquidity needs are satisfied in full by the timely forecasting of cash needs in conjunction with the prompt receipt of receivables and by using adequate credit limits with collaborating banks.

**Branch offices**

Branch office of the Company consists the commercial and leisure shopping centre "Mediterranean Cosmos" at 11th km of National road Thessaloniki – New Moudania .

***PERSPECTIVES***

The Company monitors shopping centre`s performance by using various indicators, the most significant of which are the visitors traffic indicator and shopkeepers` turnover indicator, according to international standard practices. In relation to these indicators, there was a decrease in 2016 to visitors` traffic by 0.5% and an increase to shopkeepers` turnover by 3, 7%.

The Company's strategy for the year 2017 is to maintain and further improve the profitability of "Mediterranean Cosmos" shopping centre.

Maroussi, April 7, 2017

The Chairman of the Board

ALEXANDROS C.DIMAKOPOULOS

**Translation from the original text in Greek**

## Independent Auditor's Report

To the Shareholders of "PYLAIA Société Anonyme for the development and exploitation of real estate, provision of services, trade and agency"

### Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of "PYLAIA Société Anonyme for the development and exploitation of real estate, provision of services, trade and agency" which comprise the statement of financial position as of 31 December 2016 and the statements of income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing which have been transposed into Greek Law (GG/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the "PYLAIA Société Anonyme for the development and exploitation of real estate, provision of services, trade and agency" as of December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

Taking into consideration, that management is responsible for the preparation of the Board of Directors' report and Corporate Governance Statement that is included to this report according to the provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

a) In our opinion, the Board of Directors' report has been prepared in accordance with the legal requirements of articles 43a of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended December 31, 2016.

b) Based on the knowledge we obtained from our audit for the Company "PYLAIA Société Anonyme for the development and exploitation of real estate, provision of services, trade and agency" and its environment, we have not identified any material misstatement to the Board of Directors report.

PricewaterhouseCoopers

Auditing Company S.A.

268 Kifissias Avenue

Halandri 15232

Athens, Greece

SOEL Reg No 113

Athens, 7 April 2017

The Certified Auditor Accountant

Despoina Marinou

SOEL Reg No 17681

**Contents of the notes to the financial statements** **Page**

# Statement of Financial Position

| *all amounts in €* | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | 5 | 146.580.000 | 145.700.000 |
| Property, plant and equipment | 6 | 278.992 | 536.367 |
| Trade and other receivables | 8 | 60.600 | 60.600 |
| | | **146.919.592** | **146.296.967** |
| **Current assets** | | | |
| Trade and other receivables | 8 | 1.367.187 | 1.375.508 |
| Cash and cash equivalents | 10 | 8.169.571 | 9.553.717 |
| | | **9.536.758** | **10.929.225** |
| **Total assets** | | **156.456.350** | **157.226.191** |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Share capital | 11 | 6.713.739 | 6.713.739 |
| Other reserves | 12 | 2.237.913 | 2.237.913 |
| Retained earnings | | 54.929.663 | 50.509.884 |
| **Total equity** | | **63.881.314** | **59.461.536** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 57.316.379 | 64.764.828 |
| Deferred income tax liabilities | 7 | 20.042.613 | 18.581.589 |
| Other non-current liabilities | 14 | 111.222 | 13.991 |
| | | **77.470.215** | **83.360.407** |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 7.329.241 | 6.427.481 |
| Current income tax liabilities | | 327.132 | 923.318 |
| Borrowings | 13 | 7.448.448 | 7.053.448 |
| | | **15.104.821** | **14.404.248** |
| **Total liabilities** | | **92.575.036** | **97.764.655** |
| **Total equity and liabilities** | | **156.456.350** | **157.226.191** |

The present financial statements for the year ended 31 December 2016 have been approved for issue by the Board of Directors on 7th April 2017.

| THE CHAIRMAN OF THE BOARD | THE CHIEF EXECUTIVE OFFICER | THE ACCOUNTANT RESPONSIBLE FOR THE PREPARATION OF FINANCIAL STATEMENTS |
|---|---|---|
| ALEXANDROS C. DIMOKOPOULOS | VASILIOS A. BALOUMIS | MARIA I. NIKOLOPOULOU |
| ID No T538734 | ID No AK130062 | First Class ID No 0100705 |

The notes on pages 12 to 37 form an integral part of these financial statements.

# Income Statement

| *all amounts in €* | Note | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|---|
| **Revenue** | 15 | **21.836.769** | **21.738.089** |
| Fair value adjustments on investment property | 5 | 880.000 | (1.194.279) |
| Expenses related to investment property | 16 | (6.892.591) | (7.736.768) |
| Other operating expenses - net | 16 | (740.496) | (734.958) |
| **Operating result** | | **15.083.682** | **12.072.084** |
| Finance income | 17 | 848 | 60.369 |
| Finance costs | 17 | (740.795) | (1.019.415) |
| **Profit before income tax** | | **14.343.736** | **11.113.038** |
| Income tax expense | 18 | (4.273.958) | (5.518.895) |
| **Profit for the year** | | **10.069.778** | **5.594.143** |

The notes on pages 12 to 37 form an integral part of these financial statements.

# Statement of comprehensive income

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| **Profit for the year** | **10.069.778** | **5.594.143** |
| Changes during the year | - | - |
| **Other comprehensive income for the year** | - | - |
| **Total comprehensive income for the year** | **10.069.778** | **5.594.143** |

The notes on pages 12 to 37 form an integral part of these financial statements.

# Statement of changes in equity

| *all amounts in €* | Share capital | Other reserves | Retained earnings | Total Equity |
|---|---|---|---|---|
| **1 January 2015** | **6.713.739** | **2.237.913** | **48.943.984** | **57.895.637** |
| **Total Income :** | | | | |
| Profit for the year | - | - | 5.594.143 | **5.594.143** |
| **Total comprehensive income for the year** | **-** | **-** | **5.594.143** | **5.594.143** |
| **Transactions with the shareholders:** | | | | |
| Statutory reserves | - | - | - | - |
| Declared dividend for the year 2014 | - | - | (4.028.243) | **(4.028.243)** |
| | - | - | (4.028.243) | **(4.028.243)** |
| **31 December 2015** | **6.713.739** | **2.237.913** | **50.509.884** | **59.461.536** |
| **1 January 2016** | **6.713.739** | **2.237.913** | **50.509.884** | **59.461.536** |
| **Total Income :** | | | | |
| Profit for the year | - | - | 10.069.778 | **10.069.778** |
| **Total comprehensive income for the year** | **-** | **-** | **10.069.778** | **10.069.778** |
| **Transactions with the shareholders:** | | | | |
| Statutory reserves | - | - | - | - |
| Declared dividend for the year 2015 | - | - | (5.650.000) | **(5.650.000)** |
| | - | - | (5.650.000) | **(5.650.000)** |
| **31 December 2016** | **6.713.739** | **2.237.913** | **54.929.663** | **63.881.314** |

The notes on pages 12 to 37 form an integral part of these financial statements.

# Cash Flow Statement

| *all amounts in €* | Note | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 19 | 15.311.113 | 13.835.451 |
| Interest paid | | (761.714) | (1.034.012) |
| Income tax paid | | (3.409.120) | (1.729.597) |
| **Net cash inflows from operating activities** | | **11.140.279** | **11.071.843** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 6 | (5.274) | (1.586) |
| Capital Expenditures related to Investment Property | 5 | - | (44.279) |
| Interest received | | 848 | 60.369 |
| **Net cash inflows/(outflows) from investing activities** | | **(4.425)** | **14.504** |
| **Cash flows from financing activities** | | | |
| Dividends paid to Company's shareholders | | (5.450.000) | (5.831.665) |
| Repayments of borrowings | 13 | (7.070.000) | (6.285.000) |
| **Net cash outflows from financing activities** | | **(12.520.000)** | **(12.116.665)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1.384.146)** | **(1.030.318)** |
| Cash and cash equivalents at beginning of the year | | 9.553.717 | 10.584.034 |
| **Cash and cash equivalents at end of the year** | 10 | **8.169.571** | **9.553.717** |

The notes on pages 12 to 37 form an integral part of these financial statements.

# Notes to the annual financial statements

## 1. General information

The present financial report include the annual financial statements of PYLAIA S.A.(the "Company") for the year ended 31 December 2016 in accordance with International Financial Reporting Standards («IFRS»).

The main activity of the Company is the exploitation of the 'Mediterranean Cosmos' commercial and leisure shopping centre in municipality of PYLAIA in Thessaloniki.

The address of the Company's registered office is 37A Kifissias Ave, 151 23 Maroussi, Greece and its website address is www.pylea.gr. In March 2017, the Company`s shareholders transferred their shares to the entity LAMDA MALLS SA, subsidiary company of LAMDA Development SA. As a result, direct shareholder of the Company became the entity LAMDA MALLS SA, which holds 100% of the Company`s ordinary shares. Company's financial statements are included in LAMDA Development SA's consolidated financial statements.

The present financial statements have been authorised for issue by the Board of Directors of the Company on 7 April 2017 and are subject to approval by Annual General Meeting of Shareholders.

## 2. Summary of significant accounting policies

### 2.1. Basis of preparation

These financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) and Interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as they have been adopted by the European Union, and present Company`s financial position, operating results and cash flows on a going concern basis, taking into account the macroeconomic and microeconomic factors and the effect they have on business activities. In this regard, Management has conclude that a) the going concern basis of these financial statements is adequate and b) assets and liabilities have been prepared in conformity with Company`s accounting policies.

In this context, the following issues should be remarked about their potential impact on Company`s business operations in the near future:

- **Macroeconomic situation in Greece**

The imposition of capital controls has created an uncertain economic situation which may affect business operation, financial position and the perspectives of the Company. The operations of the Company in Greece are significant and the current macroeconomic environment may affect it as following:

- Decrease in consumption which may negatively affect Shopkeepers` turnover in the shopping centre

- Potential incapability of customers to fulfil their obligations either due to restrictions to their business activity or either due to weakness of the domestic banking system.

- A potential further reduction in fair value of Company`s investment property

Despite the existence of the abovementioned uncertainties, the Company continues to operate without any disruption. However, the Management is not in position to accurately predict possible developments in the Greek economy and their impact on its business operations.

In note 3 regarding "Financial Risk Management" there is information about Company`s overall approach to risk management and general financial risks that the Company is dealing with under the going concern basis.

The financial statements have been prepared by adopting the historical cost convention, except for the investment property, financial assets and financial liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Company's accounting policies. The preparation of the financial statements according to general accounting principles requires the use of certain estimates and assumptions which affect the balances of the assets and liabilities, the contingencies disclosure at the balance sheet date of the financial statements and the amounts of income and expense relating to the reporting year. Despite the fact that these estimates are based on the best knowledge of the Company's management in relation to the current conditions and actions, the actual results may differ from these calculations. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**2.2. New standards, amendments to standards and interpretations:**

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years. The Company`s evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

**Standards and Interpretations effective for the current financial year**

**IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation**

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

**IAS 27 (Amendment) "Separate financial statements"**

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

**IAS 1 (Amendments) "Disclosure initiative"**

These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

**Annual Improvements to IFRSs 2012**

The amendments set out below describe the key changes to certain IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project.

*IFRS 13 "Fair value measurement"*

The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.

*IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"*

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

*IAS 24 "Related party disclosures"*

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Annual Improvements to IFRSs 2014**

The amendments set out below describe the key changes to four IFRSs.

*IFRS 7 "Financial instruments: Disclosures"*

The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

**Standards and Interpretations effective for subsequent periods**

**IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Company is currently investigating the impact of IFRS 9 on its financial statements.

**IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The Comapny is currently investigating the impact of IFRS 15 on its financial statements.

**IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently investigating the impact of IFRS 16 on its financial statements. The standard has not yet been endorsed by the EU.

**IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses"** (effective for annual periods beginning on or after 1 January 2017)

These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments have not yet been endorsed by the EU.

**IAS 7 (Amendments) "Disclosure initiative"** (effective for annual periods beginning on or after 1 January 2017)

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not yet been endorsed by the EU.

**IAS 40 (Amendments) "Transfers of Investment Property"** (effective for annual periods beginning on or after 1 January 2018)

The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

**IFRIC 22 "Foreign currency transactions and advance consideration"** (effective for annual periods beginning on or after 1 January 2018)

The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation has not yet been endorsed by the EU.

### 2.3. Foreign currency translation

***(a) Functional and presentation currency***

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro currency (€), which is the Company`s functional and presentation currency.

***(b) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in income statement.

### 2.4. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property consists of buildings acquired with operating lease and initially recognised at cost, comprising directly attributable costs of acquisition and if applicable any borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed by independent external valuers in accordance with the guidance issued by the International Valuation Standards Committee.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases, income from concession arrangements and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property. Others, including contingent rental payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial period in which they arise.

Changes in fair values are recorded in the income statement. The investment property ceases to be recognised when sold or terminates its use and no cash flow is expected from its sale.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its imputed cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement to the extent that it reverses a prior impairment loss. Any remaining gain is recognized in other comprehensive income by increasing the asset revaluation reserve in equity.

Generally, transfers to or from, investment property are made when there is a change in use which is evidence by:

(a) commencement of owner-occupation, for a transfer from investment property to owner-occupied investment property

b) commencement of development with a view to sale, for a transfer from investment property to inventory;

(c) the expiration of owner-occupied property, for a transfer from owner-occupied property to investment property or

(d) commencement of an operating lease to an a third party, for a transfer from inventories to investment property.

### 2.5. Property, plant and equipment

Property plant and equipment consists of: equipment, software, furniture and fittings

Property, plant and equipment ("PPE") are classified at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items and any borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company are higher than the initially expected according to the initial return of the financial asset and under the assumption that the cost of the item can be measured reliably.

Repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

| | | |
|---|---|---|
| - Furniture, fittings and other equipment | 5 – 15 | years |
| - Software | up to 5 | years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date if it is deemed necessary.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).In case of a write-off at completely obsolete assets, the carrying amount of those assets is charged as a loss to the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

### 2.6. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

When an asset's carrying amount exceeds its recoverable amount, the relevant impairment loss is recognised in income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows that are largely independent of the cash flows from other assets or groups of assets (cash-generating units).

Impairment losses are recognised as an expense to the Income Statement, when they occur.

### 2.7. Financial assets

#### 2.7.1. Classification

The Company designates its financial assets mainly as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are recognised in current assets, except for maturities greater than 12 months after the balance sheet date .These are classified as non-current assets.

#### 2.7.2. Recognition and measurement

Subsequent to the initial recognition, loans and receivables are measured at amortised cost based on effective interest rate.

### 2.7.3. Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. . Financial asset that are tested for impairment (since there is objective evidence) are assets measured at amortised cost (loans and receivables).

The criteria that the Company uses to determine if there is an objective evidence of financial assets impairment include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the particular financial asset due to financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the separate financial assets in the portfolio, including:

(i) Adverse changes in the payment status of borrowers in the portfolio; and

(ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company before recognising any impairment assesses whether objective evidence of impairment exists.

For loans and receivables the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement.

If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined by the contract.

### 2.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported at the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.9. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection amounts are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### 2.10. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### 2.11. Share Capital

Ordinary shares are classified as equity. The share capital represents the value of shares that are issued and outstanding.

Incremental costs directly attributable to the issue of new shares are shown in equity net of tax, in reduction to the product of issue.

### 2.12. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.14. Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.15. Current and deferred income tax

The tax expense for the period comprises the current income tax and deferred tax. The tax expense is recognised in the income statement, except for cases where it is related to items which recognised in other comprehensive income or directly in equity. In this case, the tax expense is also recognised in other comprehensive income or directly in equity respectively.

The current income tax is calculated using Company`s financial statements in accordance with the effective tax legislation. Management periodically evaluates its position on issues related to the tax authorities and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

**2.16. Provisions**

Provisions are recognized when:

(i) the Company has a present legal obligation as a result of past events,

(ii) it is probable that an outflow of resources will be required to settle the obligation, and

(iii) a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date (note 4.1). The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation.

**2.17. Revenue recognition**

Revenue comprises the fair value of revenues arising from rental income and rendering of services net of value added tax and any sales discounts. Revenue is recognised as follows:

***(a) Income from investment property***

Income from investment properties includes operating lease income, income from maintenance and property management, concession rights, exploitation of car park and commercial cooperation agreements.

The income from operating leases is recognized in the Income Statement using the straight-line method over the duration of the lease. The most significant part of the income from operating leases refers to the annual base remuneration that each tenant pays into the shopping centers (Base Remuneration – standard remuneration deriving from the commercial cooperation agreement), which is adjusted annually by CPI plus indexation which varies from tenant to tenant. When the Company provides incentives to its customers, the cost of these incentives is recognized over the duration of the lease or commercial cooperation, using the straight line method, reducing income.

Income from maintenance and property management, concessions and commercial cooperation agreements is recognised during the period for which the concession and commercial cooperation services are provided.

***(b) Interest income***

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. Afterwards, interests are calculated by using the same rate on the impaired value (new carrying amount).

### 2.18. Leases

***(a) Company as the lessee***

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance lease balance. The corresponding rental obligations, net of finance charges, are accounted for in liabilities. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if classified as tangible assets, while if classified as investment properties they are not depreciated but presented in their fair value.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company has not entered into any finance lease agreement at 31 December 2016.

***(b) Company as the lessor***

Assets leased to third parties under operating leases are included in investment property and measured at fair value (note 2.4). The note 2.17 describes the accounting principle of revenue recognition from leases.

### 2.19. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability to the financial statements when the dividend distribution is approved by the Annual General Meeting of shareholders.

### 2.20. Rounding

Differences between amounts presented in the financial statements and corresponding amounts in the notes results from rounding differences.

## 3. Financial risk management

### 3.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Company`s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by a treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

In addition to the aforementioned, and as it has already been disclosed in note 2.1 regarding macroeconomic environment in Greece ,the discussions in national and international level with regard to the review of the terms in the Greek financing program continue to set volatile the macroeconomic and financial environment in the country. Any negative developments cannot be predicted, nonetheless the management continuously estimates the situation in order to assure that all possible actions and necessary measures have been taken in order to minimise any consequences in the Company`s operation.

***(a) Market risk***

***i) Foreign exchange risk***

The Company operates in Greece and consequently is not exposed to foreign exchange risk from various currencies. The vast majority of Company`s transactions are denominated in Euro. Foreign exchange risk arises from certain commercial transaction in foreign currency.

The Company as a standard practise does not purchase foreign currencies in advance and does not enter into currency future contracts with external counterparties and also does not enter into currency hedging agreements.

As a result, the Company is not exposed to any foreign currency risk as at 31.12.2016 and 31.12.2015 respectively.

***ii) Price risk***

The Company is exposed to price risk relating to fluctuations of the rental prices of its investment property primarily connected to inflation risk, which is limited, as the Company enters into long term operating lease arrangements with customer for a period of at least six years in which annual rental increases are linked to the consumer price index plus a spread of up to 2%.

The Company has no exposure to risk related to financial instruments as it does not hold any equity instruments.

***iii) Interest rate risk***

The cash flows of the Company are affected in a small extend by changes in interest rates as the cash for investment and the interest-bearing receivables mainly depend on the rates of the Euro.

At the end of the reporting period, total borrowings amounted to €64,8m, relating to variable interest rate financial instruments.

At 31 December 2016 an increase by 50bps in the Company`s borrowing interest rate at functional currency could result to a decrease by 376 th. in post-tax profits of the year.

***(b) Credit risk***

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Sales are made mainly to customers with an assessed credit history and credit limits. Also, certain sale and collection terms are applied. Whenever possible, further securities are requested for outstanding receivables.

Income will significantly be affected in case where customers cannot fulfil their obligations either as a result of their limited economic activity or either due to the weakness of the domestic banking system. However, at 31.12.2016 the Company has a fully diversified portfolio, which mainly consists of well-known and profitable companies. Customer's financial position is continuously monitored. The Management estimates that there are not any customers who have exceed their credit limits other than those for whom a provision has been made.

Company`s cash and cash equivalents are deposited in banks which are ranked in Moody`s external credit rating list. Credit risk of cash is classified in the following table according to the extent of credit risk as follows:

| Bank`s credit Rating ( MOODY`s ) | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Caa3 | 7.886.124 | 9.285.434 |
| | **7.886.124** | **9.285.434** |

### *(c) Liquidity risk*

Company`s daily liquidity needs are satisfied in full by the timely forecasting of cash needs in conjunction with the prompt receipt of receivables and by using adequate credit limits with collaborating banks.

The table below analyses Company`s financial liabilities into relevant maturity groupings based on the remaining period between the balance sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| *Amounts in Euro* | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **31 December 2016** | | | | |
| Borrowings | 7.448.448 | 8.318.566 | 50.214.390 | - |
| Trade and other payables (excluding payables to public sector ) | 5.547.790 | 111.222 | - | - |
| | **12.996.239** | **8.429.788** | **50.214.390** | **-** |

| *Amounts in Euro* | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **31 December 2015** | | | | |
| Borrowings | 7.053.448 | 8.061.837 | 58.451.814 | - |
| Trade and other payables (excluding payables to public sector ) | 5.011.319 | 13.991 | - | - |
| | **12.064.767** | **8.075.828** | **58.451.814** | **-** |

## 3.2. Capital risk management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with similar industry practices, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents.

In 2016 as in 2015, Company's strategy was to maintain the gearing ratio (Net Debt to Total Equity) so as not to exceed 60%.

The gearing ratios at 31 December 2016 and 31 December 2015 were as follows:

| *Amounts in Euro* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Borrowings (note 13) | 64.764.828 | 71.818.276 |
| Minus: Cash and cash equivalents (note 10) | (8.169.571) | (9.553.717) |
| **Net debt** | **56.595.257** | **62.264.559** |
| Total equity | **63.881.314** | **59.461.536** |
| **Total assets** | **120.476.571** | **121.726.096** |
| **Gearing ratio** | 46,98% | 51,15% |

## 3.3. Fair value estimation

The Company provides the disclosures required related to fair value measurements using a three-level hierarchy, as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2**: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly since the date of these transactions have occurred.

**Level 3**: Inputs for the asset or liability that are not based on observable market data using valuation methods and assumptions which does not basically reflect current market assessments (that is, unobservable inputs).

The elements of the statement of financial position that are measured and presented at fair value are investment property (note 5).

## 4. Critical accounting estimates and judgments

Estimates and judgements of the Management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning future events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 months concern the following:

***(a) Estimate of fair value of investment properties***

The best evidence of fair value is current prices in an active market for similar lease and other contracts. When there is absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgement, the Company considers information from a variety of sources including:

***i)*** Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

***ii)*** Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

***iii)*** Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The disclosures for the fair value estimations of the investment property are presented in note 5.

***(b) Income taxes***

During the normal course of business, there are some transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 4.2. Critical management estimates in applying the entity's accounting policies

There are no areas that require management estimates in applying the Company's accounting policies.

## 5. Investment property

| *Amounts in €* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| **Balance at the beginning of the period** | 145.700.000 | 146.850.000 |
| Additions | - | 44.279 |
| Fair Value Adjustments | 880.000 | (1.194.279) |
| **Balance at the end of the period** | **146.580.000** | **145.700.000** |

The measurement of fair value of investment property is classified in Level 3 of the hierarchy of fair value measurements based on techniques which use inputs with a significant effect on the recorded fair value and are not based on observable market data.

Company's investment properties were revalued by independent professional valuers at a semi-annual basis. Valuations were based primarily on discounted cash flow projections due to the absence of sufficient current prices for an active market.

The fair value for all investment property was determined on the basis of its highest and best use by the Company taking into account each property's use which is physically possible, legally permissible and financially feasible. This estimate is based on the physical characteristics, the permitted use and the opportunity cost for each investment of the Company.

Investment property is valued each semester by independent qualified valuers using the Discounted Cash Flows (DCF) method. The cash flows are based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (where possible) external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect each tenant's sector (food and restaurants, electronic appliances, apparel etc) as well as the current market assessments of the uncertainty in the amount and timing of the cash flows. In some cases, where necessary, the valuation is based on the Comparative Method.

The fair value of the Shopping Centre was determined using the DCF approach with the following significant assumptions:

The yield according to the latest valuations is 10,6%. In relation to the annual consideration that every tenant of the Mall pays (Base Consideration – fixed consideration that is set in the contract), it is adjusted annually according to the CPI plus a slight indexation which is differentiated between the tenants. The average CPI that has been used over the period is 1,75%.

Where the initial yield used in estimating the discount rate in the discounted cash flows analysis to differ by + 0.25 bp, the carrying amount of investment property would be an estimated - €3.4m approximately. Respectively, if Company`s EBITDA change by -€1m, the accounting value of the investment property would change by €-9,4m approximately.

## 6. Property, plant and equipment

| *all amounts in €* | Furniture and other equipment | Software | Assets under construction | Total |
|---|---|---|---|---|
| **At cost** | | | | |
| **1 January 2015** | **1.837.162** | **15.069** | **-** | **1.852.230** |
| Additions | 1.187 | 399 | 44.279 | **45.865** |
| Transfer to Investment Property | - | - | (44.279) | **(44.279)** |
| Disposals / Write-offs | (1.650) | - | - | **(1.650)** |
| **31 December 2015** | **1.836.699** | **15.468** | **-** | **1.852.166** |
| **1 January 2016** | **1.836.699** | **15.468** | **-** | **1.852.166** |
| Additions | 1.700 | - | 3.574 | **5.274** |
| Disposals / Write-offs | (12.274) | - | - | **(12.274)** |
| **31 December 2016** | **1.826.124** | **15.468** | **3.574** | **1.845.166** |
| **Accumulated depreciation** | | | | |
| **1 January 2015** | **(1.003.628)** | **(15.003)** | **-** | **(1.018.632)** |
| Depreciation charge | (298.702) | (116) | - | **(298.818)** |
| Disposals / Write-offs | 1.650 | - | - | **1.650** |
| **31 December 2015** | **(1.300.681)** | **(15.119)** | **-** | **(1.315.800)** |
| **1 January 2016** | **(1.300.681)** | **(15.119)** | **-** | **(1.315.800)** |
| Depreciation charge | (262.471) | (139) | - | **(262.610)** |
| Disposals / Write-offs | 12.236 | - | - | **12.236** |
| **31 December 2016** | **(1.550.916)** | **(15.258)** | **-** | **(1.566.174)** |
| **Net book value at 31 December 2015** | **536.018** | **349** | **-** | **536.367** |
| **Net book value at 31 December 2016** | **275.209** | **210** | **3.574** | **278.992** |

At 31.12.2016 the Company does not lease any asset under a finance lease agreement and borrowing costs have not been capitalized. There are neither liens nor pre-notices regarding Company's fixed assets.

## 7. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The significant portion of the deferred tax assets is to be recovered after more than 12 months.

The gross movement on the deferred income tax account is as follows:

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Balance at the beginning of the period** | **(18.581.589)** | **(15.829.042)** |
| Credited /( Charged ) to the income statement (note 18) | (1.461.024) | (948.273) |
| Credited /( Charged ) to the income statement due to changes in tax rate | - | (1.804.274) |
| **Balance at the end of the period** | **(20.042.613)** | **(18.581.589)** |

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances of the same tax jurisdictions, is as follows:

**Deferred income tax liabilities**

| *all amounts in €* | Provision for unaudited prior years | Investment property | Total |
|---|---|---|---|
| **1 January 2015** | **192.000** | **17.054.172** | **17.246.172** |
| Charged to the income statement | - | 814.113 | 814.113 |
| Charged to the income statement due to changes in tax rate | - | 1.967.789 | 1.967.789 |
| **31 December 2015** | **192.000** | **19.836.075** | **20.028.075** |
| | | | |
| **1 January 2016** | **192.000** | **19.836.075** | **20.028.075** |
| Charged to the income statement | - | 1.364.444 | 1.364.444 |
| **31 December 2016** | **192.000** | **21.200.519** | **21.392.519** |

**Deferred income tax assets**

| *all amounts in €* | Other | Total |
|---|---|---|
| **1 January 2015** | **1.417.130** | **1.417.130** |
| Charged to the income statement | (134.160) | (134.160) |
| Credited to the income statement due to changes in tax rate | 163.515 | 163.515 |
| **31 December 2015** | **1.446.486** | **1.446.486** |
| | | |
| **1 January 2016** | **1.446.486** | **1.446.486** |
| Charged to the income statement | (96.580) | (96.580) |
| **31 December 2016** | **1.349.906** | **1.349.906** |

According to the tax law 4335/2015, the income tax rate of legal entities domiciled in Greece increased from 26% to 29% for the financial years starting on 1 January 2015 and onwards. This development in corporate tax rate in 2015 resulted in the one-off increase of Company`s deferred tax liabilities by an amount equal to €1,8m.

## 8. Trade and other receivables

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Trade receivables | 7.077.792 | 7.217.963 |
| Less: Impairment on receivable accounts | (6.554.009) | (6.554.009) |
| **Net trade receivables** | **523.784** | **663.954** |
| Prepayments and other receivables | 859.861 | 742.751 |
| Amounts due from related parties | 44.143 | 29.403 |
| **Total** | **1.427.787** | **1.436.108** |

**Analysis of receivables:**

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Non-current assets | 60.600 | 60.600 |
| Current assets | 1.367.187 | 1.375.508 |
| | **1.427.787** | **1.436.108** |

The fair value of trade and other receivables outstanding balance is equal to their carrying value.

The movement in Company's doubtful receivables is as follows:

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Balance at the beginning of the period** | **6.554.009** | **6.454.009** |
| Charged to the income statement | - | 100.000 |
| **Balance at the end of the period** | **6.554.009** | **6.554.009** |

Other receivables for which no impairment nor bad debt provision has been made are equal to the carrying amounts.

There is no significant concentration of credit risk with respect to trade receivables, as the Company has a dispersed customer portfolio.

## 9. Financial instruments by category

**31 December 2016**
*Amounts in Euro*

| **Assets** | |
|---|---|
| Trade and other receivables | 523.784 |
| Amounts due from related parties | 44.143 |
| Cash and cash equivalents | 8.169.571 |
| Other financial receivables | 60.600 |
| **Total** | **8.798.097** |

**31 December 2016**
*Amounts in Euro*

| **Liabilities** | |
|---|---|
| Loans | 64.764.828 |
| Trade and other payables (excluding payables to public sector ) | 1.345.874 |
| Amounts due to related parties | 1.010.415 |
| Interest payable | 83.203 |
| Other financial obligations | 1.295.165 |
| **Total** | **68.499.485** |

**31 December 2015**
*Amounts in Euro*

| **Assets** | |
|---|---|
| Trade and other receivables | 663.954 |
| Amounts due from related parties | 29.403 |
| Cash and cash equivalents | 9.553.717 |
| Other financial receivables | 60.600 |
| **Total** | **10.307.674** |

**31 December 2015**
*Amounts in Euro*

| **Liabilities** | |
|---|---|
| Loans | 71.818.276 |
| Trade and other payables (excluding payables to public sector ) | 1.424.407 |
| Amounts due to related parties | 542.623 |
| Interest payable | 120.674 |
| Other financial obligations | 945.227 |
| **Total** | **74.851.208** |

## 10. Cash and cash equivalents

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Cash at bank | 7.886.124 | 9.285.434 |
| Cash in hand | 283.446 | 268.283 |
| **Total** | **8.169.571** | **9.553.717** |

The above amounts consist of cash and cash equivalents used for the purposes of the cash flow statement.

With respect to credit risk of bank balances see note 3.1.

## 11. Share capital

| *all amounts in €* | Number of shares | Ordinary shares | Total |
|---|---|---|---|
| **1 January 2015** | **6.713.739** | **6.713.739** | **6.713.739** |
| Changes during the year | - | - | - |
| **31 December 2015** | **6.713.739** | **6.713.739** | **6.713.739** |
| **1 January 2016** | **6.713.739** | **6.713.739** | **6.713.739** |
| Changes during the year | - | - | - |
| **31 December 2016** | **6.713.739** | **6.713.739** | **6.713.739** |

Company's share capital amounts to €6.713.739 divided into 6.713.739 ordinary shares of nominal value €1, 00 (one).

**Analysis of shareholding at 31.12.2016 :**

| | Number of Shares | % |
|---|---|---|
| Lamda Development, S.A. | 4.034.957 | 60,10% |
| Lamda Development, B.V | 2.678.782 | 39,90% |
| **Total issued shares** | **6.713.739** | **100%** |

In March 2017, the Company`s shareholders transferred their shares to the entity LAMDA MALLS SA, subsidiary company of LAMDA Development SA. As a result, direct shareholder of the Company became the entity LAMDA MALLS SA, which holds 100% of the Company`s ordinary shares.

## 12. Other reserves

| *Amounts in €* | Statutory reserves | Total |
|---|---|---|
| **1 January 2015** | **2.237.913** | **2.237.913** |
| Changes during the year | - | - |
| **31 December 2015** | **2.237.913** | **2.237.913** |
| **1 January 2016** | **2.237.913** | **2.237.913** |
| Changes during the year | - | - |
| **31 December 2016** | **2.237.913** | **2.237.913** |

**Statutory reserve**

A legal reserve is created under the provisions of Greek law (Law 2190/1920, articles 44 and 45) according to which, an amount of at least 5% of the profit (after tax) for the year must be transferred to the reserve until it reaches one third of the paid share capital. The legal reserve can only be used, after approval of the Annual General Meeting of the shareholders, to offset retained losses and therefore cannot be used for any other purpose.

## 13. Borrowings

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Non-current borrowings** | | |
| Bond loans | 57.316.379 | 64.764.828 |
| **Total non-current borrowings** | **57.316.379** | **64.764.828** |
| **Current portion of non-current borrowings** | | |
| Bond loans | 7.448.448 | 7.053.448 |
| **Total current borrowings** | **7.448.448** | **7.053.448** |
| **Total borrowings** | **64.764.828** | **71.818.276** |

The movement of the borrowings is as follows:

| *all amounts in €* | |
|---|---|
| **Balance as at 01 January 2015** | **78.086.724** |
| Repayments of borrowings | (6.285.000) |
| Amortization of bond loan issue costs | 16.552 |
| **Balance as at 31 December 2015** | **71.818.276** |
| **Balance as at 01 January 2016** | **71.818.276** |
| Repayments of borrowings | (7.070.000) |
| Amortization of bond loan issue costs | 16.552 |
| **Balance as at 31 December 2016** | **64.764.828** |

The Company's borrowings are secured by a pledge on the shares of the Company, as well as on future claims from shopping centre's operation.

The maturity of non-current borrowings is as follows:

| *all amounts in €* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Between 1 and 2 years | 7.838.448 | 7.448.448 |
| Between 2 and 5 years | 49.477.931 | 57.316.379 |
| Over 5 years | - | - |
| | **57.316.379** | **64.764.828** |

The Company during 2016 repaid €7,1m of loan principle as described in the bond loan arrangement with the bank institution while the interest rate charges were accounted for quarterly. There is no change in the financial covenants that must be fulfilled and remain the same as during the previous period.

Indicatively, the financial covenants are as follows:

a) The loan to value should not exceed 80%.

b) The Debt Service Coverage Ratio (DSCR) should be higher or equal to 120%. It is defined as the ratio of the annual net property income to the annual debt service.

As at 31.12.2016, the Company fulfils all the financial covenants to its bank loan arrangement.

## 14. Trade payables

| *all amounts in €* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Trade payables | 1.345.874 | 1.424.407 |
| Amounts due to related parties (note 23) | 1.010.415 | 542.623 |
| Deferred income | 2.064.504 | 2.097.763 |
| Advances from customers | 139.543 | 57.744 |
| Trade Guarantees & collaterals | 111.222 | 13.991 |
| Accrued interest expense | 83.203 | 120.674 |
| Other accrued expenses | 1.111.446 | 943.839 |
| VAT payable | 374.294 | 293.904 |
| Other liabilities | 99.961 | 46.526 |
| Amounts due to related parties (note 23) - Dividends payable | 1.100.000 | 900.000 |
| **Total** | **7.440.463** | **6.441.472** |

Trade and other payables' fair value are equal to their carrying amounts.

**Analysis of payables :**

| *all amounts in €* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Non-current | 111.222 | 13.991 |
| Current | 7.329.241 | 6.427.481 |
| **Total** | **7.440.463** | **6.441.472** |

## 15. Revenue

The Company's revenue derives from the exploitation of the 'Mediterranean Cosmos' commercial and leisure shopping centre in the municipality of PYLAIA in Thessaloniki and is analysed as follows:

| *all amounts in €* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Base remuneration | 18.565.650 | 18.604.002 |
| Turnover Remuneration | 967.272 | 905.062 |
| Entrance fee (key money) | 95.018 | 157.146 |
| Mall Income | 391.944 | 355.095 |
| Parking Income | 1.816.885 | 1.716.784 |
| **Total** | **21.836.769** | **21.738.089** |

## 16. Expenses by nature

| | **1.1.2016 to 31.12.2016** | | | **1.1.2015 to 31.12.2015** | | |
|---|---|---|---|---|---|---|
| *all amounts in €* | **Expenses related to Investment Property** | **Administrative expenses** | **Total** | **Expenses related to Investment Property** | **Administrative expenses** | **Total** |
| Property management fees | (404.607) | - | (404.607) | (401.470) | - | (401.470) |
| Operating leases | (3.603.139) | (7.491) | (3.610.630) | (3.562.778) | (7.344) | (3.570.122) |
| Depreciation of property, plant and equipment | - | (262.610) | (262.610) | - | (298.818) | (298.818) |
| Impairment on receivable accounts | - | - | - | (100.000) | - | (100.000) |
| Lawyer fees | (12.707) | (7.428) | (20.135) | (29.043) | (38.327) | (67.370) |
| Buildings repairs and maintenance expenses | (317.952) | - | (317.952) | (365.009) | - | (365.009) |
| Common area expenses on behalf of the Owner | (826.472) | (27.682) | (854.154) | (1.372.590) | (40.530) | (1.413.120) |
| Parking operating expenses | (927.485) | - | (927.485) | (887.728) | - | (887.728) |
| Advertising & Promotional expenses | (194.664) | - | (194.664) | (345.008) | - | (345.008) |
| Vacant units proportion on common area expenses | (77.221) | - | (77.221) | (93.327) | | (93.327) |
| Other professional fees | (116.183) | (222.577) | (338.760) | (195.941) | (206.675) | (402.616) |
| Administrative fees | - | (120.000) | (120.000) | - | (120.000) | (120.000) |
| Agency fees | (159.970) | - | (159.970) | (174.205) | - | (174.205) |
| Insurance premium | (215.048) | - | (215.048) | (209.670) | - | (209.670) |
| Other taxes | - | (31.103) | (31.103) | - | (24.827) | (24.827) |
| Other income / ( expense ) - net | (37.144) | (61.606) | (98.750) | - | 1.563 | 1.563 |
| **Total** | **(6.892.591)** | **(740.496)** | **(7.633.087)** | **(7.736.768)** | **(734.958)** | **(8.471.726)** |

## 17. Finance costs -net

| *all amounts in €* | **1.1.2016 to 31.12.2016** | **1.1.2015 to 31.12.2015** |
|---|---|---|
| Interest expense and loan issue costs | (740.795) | (1.019.415) |
| Interest income | 848 | 60.369 |
| **Total** | **(739.946)** | **(959.046)** |

## 18. Income tax expense

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| Current tax and differences on prior years | (2.812.933) | (2.766.348) |
| Deferred tax (note 7) | (1.461.024) | (948.273) |
| Tax relating to changes in tax rate | - | (1.804.274) |
| **Total** | **(4.273.958)** | **(5.518.895)** |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company, as follows:

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| **Profit before tax** | **14.343.736** | **11.113.038** |
| Tax calculated according to domestic tax rates | (4.159.683) | (3.222.781) |
| Expenses not deductible for tax purposes | (57.290) | (113.784) |
| Difference for which deferred tax provision has not been formed | (56.984) | (106.438) |
| Tax relating to changes in tax rate | - | (1.804.274) |
| Differences arising from tax audit on prior years | - | (271.618) |
| **Total** | **(4.273.958)** | **(5.518.895)** |

**Tax certificate and unaudited tax years**

For the year ended 31 December 2011 and onwards as the Law 4174/2013 (article 65A) currently stands (and as Law 2238/1994 previously provided in article 82), up to and including fiscal years starting before 1 January 2016, the Greek societe anonymes and limited liability companies whose annual financial statements are audited compulsorily, were required to obtain an 'Annual Tax Certificate', which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements.

For fiscal years starting from 1 January 2016 and onwards, the 'Annual Tax Certificate' is optional, however the Company will obtain such certificate. In accordance with the Greek tax legislation and the respective Ministerial Decisions issued, additional taxes and penalties may be imposed by the Greek tax authorities following a tax audit within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company.

For the fiscal year 2016 tax audit is currently carried out by PriceWaterhouseCoopers SA., and the relevant tax certificate is expected to be issued after the publication of the financial statements during the first half of 2017.

Currently, a tax audit is carried out by the Greek tax authorities for the unaudited fiscal year 2010.The Company recognise provisions if it is deemed necessary ,where appropriate ,on the basis of amounts expected to be paid to the tax authorities.

The Company has already made provision for unaudited prior tax years equal to €192th.

## 19. Cash generated from operations

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| Profit for the year | 10.069.778 | 5.594.143 |
| Adjustments for: | | |
| Tax | 4.273.958 | 5.518.895 |
| Depreciation of property, plant and equipment | 262.610 | 298.818 |
| Provision for doubtful receivables | - | 100.000 |
| Interest income | (848) | (60.369) |
| Interest expense | 740.795 | 1.019.415 |
| Fair value adjustments on investment property | (880.000) | 1.194.279 |
| Other non cash items | 39 | (6.331) |
| | **14.466.330** | **13.658.850** |
| **Changes in working capital:** | | |
| Decrease in receivables | 8.321 | 630.819 |
| Increase / (Decrease) in payables | 836.462 | (454.217) |
| | **844.783** | **176.601** |
| **Cash generated from operations** | **15.311.113** | **13.835.451** |

## 20. Commitments

### 21.1. Capital commitments

There are no capital expenditures that have been contracted for but not yet incurred at the balance sheet date.

***Operating lease commitments***

The Company leases buildings under operating leases. Total future lease payments under operating leases and by taking into consideration the annual lease adjustments are as follows:

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| Not later than 1 year | 3.162.543 | 3.146.567 |
| Later than 1 year but not later than 5 years | 13.379.172 | 13.394.020 |
| Later than 5 years | 57.284.502 | 63.704.752 |
| **Total** | **73.826.217** | **80.245.338** |

The Company has no contractual liability for investment property repair and maintenance services.

## 21. Contingent liabilities and assets

The Company has contingencies in respect of bank guarantees, other guarantees and other matters arising in the ordinary course of business, for which no significant additional burdens are expected to arise, as follows:

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **Liabilities** | | |
| Letters of guarantee to creditors | 3.154.771 | 3.139.076 |
| **Total** | **3.154.771** | **3.139.076** |
| | | |
| **Assets** | | |
| Letters of guarantee from customers | 12.915.073 | 12.823.974 |
| **Total** | **12.915.073** | **12.823.974** |

***Legal claims***

With regard to the legal issues relating to the particular investment, the following should be noted:

- Contractor "MICHANIKI SA" undertook a significant part of the construction works for the "Mediterranean Cosmos" shopping centre in Pylaia, Thessaloniki. Both "PYLAIA SA", a subsidiary of the Company, and "MICHANIKI SA" have filed actions and counter-actions against each other, which were jointly heard on 1.4.2009. The Athens Multimember Court of 1st Instance issued decision 8172/2009 according to which the actions of "PYLAIA SA" were rejected whereas an expert was appointed in relation to the actions of "MICHANIKI SA". "PYLAIA SA" appealed against that decision and the hearing of the appeal took place, following postponements, on 28.02.2013 before the Athens Court of Appeal. The Athens Court of Appeal issued decision No. 3977/2013 which rejected the appeal of "PYLAIA S.A.". The Company submitted an appeal on points of law before the Supreme Court, which was heard on 11.05.2015. The Court accepted the appeal of "PYLAIA S.A." by means of its Decision No 208/2016, despite the negative opinion issued by the Judge Rapporteur, and sent the case back to the Court of Appeals for a new hearing. Moreover, on 28.12.2010 the "PYLEA SA" filed lawsuits No 13132, 13134 and 13129/2010 before the Athens Multi-Member 1st Instance Court against "MICHANIKI SA", the hearing of which took place on 13.02.2013, following a postponement on 14.11.2012. Such lawsuits are identical to the previously presented lawsuits, save that they have been filed jointly with the company "EUROHYPO S.A." to address the event where the Court rules that "PYLAIA SA" is not entitled to file these lawsuits in its name. For this reason, the hearing of such lawsuits was cancelled on 13.02.2013 and has now been reenacted so that those lawsuits were scheduled to be heard on 18.03.2015, when hearing was postponed for 25.01.2017 and then again cancelled.

  Additionally, further to the submission before the Court of the expert's report, which is favorable to "PYLAIA SA", the hearing of the actions of "MICHANIKI SA" had been set for 27.05.2015 (after postponement of 13.03.2013), but it was cancelled. Moreover, "PYLAIA SA" filed an action against "MICHANIKI SA" on 24.12.2010 for additional compensation from the above causes, the hearing of which had been set, following postponements, on 25.02.2015, but it was cancelled. Finally, "MICHANIKI S.A." filed a new lawsuit seeking compensation for amounts that "PYLAIA S.A." had collected from Alpha Bank by forfeiture of "MICHANIKI S.A." bank bonds. The lawsuit was set to be heard on 28.05.2015, but was postponed for 12.10.2017. The amount of total claims of "PYLAIA SA" against "MICHANIKI SA" is €20m (which includes the amount of €2,5m for moral damages), while "MICHANIKI SA" with said actions claims the amount of €37m (including the amount of €10.5m in compensation for moral damages). In any case, the Company's legal advisors believe that the legitimate claims of "PYLAIA SA" against "MICHANIKI SA" significantly exceed the legitimate claims of the latter against "PYLAIA SA".

## 22. Dividend

The Board of Directors decided to propose to the Annual General Meeting ,which will approve the financial results of the year 2016, a dividend distribution to the shareholders of the Company totalling to €€6.500.242,10 , that is €0,9682 per share.

## 23. Related party transactions

Related parties include the main shareholders of the Company, namely Lamda Development SA and Lamda Development BV. Furthermore, related parties are also the subsidiary companies of Lamda Development Group.

The following transactions occurred with related parties:

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| **i) Sales of services** | | |
| - Other associates | 96.398 | 95.619 |
| | **96.398** | **95.619** |

| *all amounts in €* | 1.1.2016 to 31.12.2016 | 1.1.2015 to 31.12.2015 |
|---|---|---|
| **ii) Purchases of services** | | |
| - Shareholders | 327.919 | 331.239 |
| - Other associates | 1.433.891 | 1.475.143 |
| | **1.761.810** | **1.806.381** |

**Balances at the year-end arising from sales/purchases of goods/services:**

| *all amounts in €* | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **iii) Receivables from related parties:** | | |
| - Other associates | 39.844 | 29.403 |
| - Shareholders | 4.298 | - |
| | **44.143** | **29.403** |

| **iv) Liabilities to related parties:** | 31.12.2016 | 31.12.2015 |
|---|---|---|
| - Shareholders | 647.060 | 77.451 |
| - Other associates | 363.356 | 465.172 |
| | **1.010.415** | **542.623** |

**Year-end balances arising from dividends**

| | 31.12.2016 | 31.12.2015 |
|---|---|---|
| **v) Liabilities to related parties:** | | |
| - Shareholders | 1.100.000 | 900.000 |
| | **1.100.000** | **900.000** |

Services from and to related parties, as well as sales and purchases of goods, are based on the price lists in force with non-related parties.

## 24. Auditor`s fees

| *All amounts in Euro* | **31.12.2016** | **31.12.2015** |
|---|---|---|
| Audit services | 28.500 | 26.550 |
| Other audit services | 27.000 | 26.500 |
| **Total** | **55.500** | **53.050** |

## 25. Events after the balance sheet date

In March 2017, the Company`s shareholders transferred their shares to the entity LAMDA MALLS SA, subsidiary company of LAMDA Development SA. As a result, direct shareholder of the Company became the entity LAMDA MALLS SA, which holds 100% of the Company`s ordinary shares.

Besides the above-mentioned, there are no other events after the balance sheet date considered to be material to the financial position of the Company.