CORDIA INTERNATIONAL ZRT.

AUDIT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

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# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Cordia International Zrt.**

## Opinion

We have audited the accompanying consolidated financial statements of Cordia International Zrt. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 (in which the consolidated statement of financial position total is THUF 62 904 420, the total comprehensive income for the year, net of tax is THUF 1 896 989), the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA Code of Ethics) and we also comply with further ethical requirements set out in these.

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

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis in preparation of the consolidated financial statements. Management has to apply the going concern basis of accounting in the consolidated financial statements unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Budapest, 16 November 2018

László Radványi
Partner
PricewaterhouseCoopers Könyvvizsgáló Kft.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

| For the year ended 31 December | | 2017 | 2016 |
|---|---|---|---|
| *In thousands of Hungarian Forints (THUF)* | *Note* | | |
| **Revenue** | *5* | **6,918,141** | **3,921,105** |
| **Cost of sales** | *6* | **(2,939,111)** | **(357,445)** |
| **Gross profit** | | **3,979,030** | **3,563,660** |
| Selling and marketing expenses | *7* | (1,141,535) | (1,047,620) |
| Administrative expenses | *8* | (1,860,097) | (679,836) |
| Other expenses | *10* | (112,689) | (172,766) |
| Other income | *11* | 1,149,705 | 7,638 |
| **Operating profit** | | **2,014,414** | **1,671,076** |
| Interest income | *12* | 115,292 | 7,647 |
| Other financial income | *12* | 820,377 | 137,084 |
| **Finance income** | | **935,669** | **144,731** |
| Interest expense | *12* | (214,517) | (49,749) |
| Other financial expense | *12* | (619,285) | (327,106) |
| **Finance expense** | | **(833,802)** | **(376,855)** |
| **Net finance income/(expense)** | | **101,867** | **(232,124)** |
| **Profit before taxation** | | **2,116,281** | **1,438,952** |
| Current income tax | *13* | (91,640) | (50,564) |
| Deferred tax | *13* | (112,391) | 61,684 |
| **Income tax expense** | | **(204,031)** | **11,120** |
| **Profit for the year** | | **1,912,250** | **1,450,072** |
| Exchange differences on translating foreign operations | | (15,261) | 157,133 |
| **Other comprehensive income/(loss)** | | **(15,261)** | **157,133** |
| **Total comprehensive income for the year, net of tax** | | **1,896,989** | **1,607,205** |
| **Total profit/(loss) for the year attributable to:** | | | |
| equity holders of the parent | | 1,967,057 | 1,457,383 |
| non-controlling interests | *16(b)* | (54,807) | (7,311) |
| **Total profit/(loss) for the year** | | **1,912,250** | **1,450,072** |
| **Total comprehensive income attributable to:** | | | |
| equity holders of the parent | | 1,951,796 | 1,614,516 |
| non-controlling interests | *16(b)* | (54,807) | (7,311) |
| **Total comprehensive income for the year, net of tax** | | **1,896,989** | **1,607,205** |

*The notes on pages 6 to 74 are an integral part of these consolidated financial statements.*

## Consolidated Statement of Financial Position

| *In thousands of Hungarian Forints (THUF)* | *Note* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | *14(a)* | 136,988 | 9,070 | 150 |
| Investment properties | *14(b)* | 0 | 1,059,125 | 0 |
| Property, plant and equipment | *14(c)* | 563,989 | 181,744 | 27,479 |
| Long-term receivables from third parties | *15(a)* | 11,493 | 16,696 | 16,817 |
| Long-term receivables from related parties | *15(b)* | 1,050,379 | 69,478 | 313,906 |
| Deferred tax assets | *14(d)* | 135,090 | 77,900 | 26,783 |
| Other long-term financial assets | *15* | 5,483,415 | 1,456,136 | 173,662 |
| Other long-term assets | *14(f)* | 1,859,010 | 404,952 | 7 |
| **Total non-current assets** | | **9,240,364** | **3,275,101** | **558,804** |
| **Current assets** | | | | |
| Inventory | *14(e)* | 37,536,704 | 19,270,607 | 2,610,577 |
| Trade and other receivables | *15(c)* | 332,278 | 523,063 | 219,480 |
| Short-term receivables from related parties | *15(b)* | 1,807,482 | 30,646 | 50,964 |
| Other short-term assets | *14(f)* | 423,471 | 320,217 | 1,793 |
| Income tax receivable | | 23,054 | 0 | 0 |
| Other tax receivables | *14(i)* | 819,580 | 1,360,885 | 76,158 |
| Loan receivables | *15(a)* | 0 | 21,087 | 22,038 |
| Other financial assets | *15* | 2,750,234 | 37,449 | 0 |
| Cash and cash equivalents | *15(d)* | 9,971,253 | 5,766,747 | 98,059 |
| **Total current assets** | | **53,664,056** | **27,330,701** | **3,079,069** |
| **Assets classified as held for sale** | | | | |
| Assets classified as held for sale | *14(g)* | 0 | 6,138,970 | 0 |
| **Total assets classified as held for sale** | | **0** | **6,138,970** | **0** |
| **Total assets** | | **62,904,420** | **36,744,772** | **3,637,873** |

*The notes on pages 6 to 74 are an integral part of these consolidated financial statements.*

## Consolidated Statement of Financial Position (cont'd)

| *In thousands of Hungarian Forints (THUF)* | *Note* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|---|
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| **Shareholders' equity** | | | | |
| Share capital | *16(a)* | 9,252,912 | 37,322 | 0 |
| Share premium | *16(c)* | 592,166 | 0 | 0 |
| Currency translation reserve | | 141,872 | 157,133 | 0 |
| Other reserves | *16(d)* | (189,439) | 36,074 | 3,460 |
| Retained earnings | *16(e)* | 3,768,631 | 1,281,960 | (175,424) |
| **Equity attributable to equity holders of the parent** | | **13,566,142** | **1,512,489** | **(171,964)** |
| Non-controlling interests | *16(b)* | 7,579,760 | 53,446 | 0 |
| **Total equity** | | **21,145,902** | **1,565,935** | **(171,964)** |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Loans and borrowings | *15(e)* | 5,746,263 | 4,030,087 | 931,487 |
| Long-term liabilities to related parties | *15(f)* | 2,274,895 | 6,558,699 | 2,014,778 |
| Deferred tax liabilities | *14(d)* | 165,986 | 0 | 0 |
| Customer advances | *14(h)* | 5,337,026 | 6,900,200 | 169,998 |
| Other long-term liabilities | *14(j)* | 651,154 | 195,721 | 23,892 |
| **Total non-current liabilities** | | **14,175,324** | **17,684,707** | **3,140,155** |
| | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | *15(g)* | 2,949,018 | 1,423,368 | 502,491 |
| Short-term liabilities to related parties | *15(f)* | 3,450,854 | 13,708,569 | 29,823 |
| Loans and borrowings | *15(e)* | 735,812 | 697,258 | 0 |
| Customer advances | *14(h)* | 20,190,907 | 0 | 0 |
| Other tax liabilities | | 168,287 | 209,759 | 137,368 |
| Income tax liabilities | | 88,316 | 24,655 | 0 |
| **Total current liabilities** | | **27,583,194** | **16,063,609** | **669,682** |
| | | | | |
| **Liabilities directly associated with assets classified as held for sale** | | | | |
| Liabilities classified as held for sale | *14(g)* | 0 | 1,430,521 | 0 |
| **Total liabilities classified as held for sale** | | **0** | **1,430,521** | **0** |
| | | | | |
| **Total liabilities** | | **41,758,518** | **35,178,837** | **3,809,837** |
| | | | | |
| **Total equity and liabilities** | | **62,904,420** | **36,744,772** | **3,637,873** |

*The notes on pages 6 to 74 are an integral part of these consolidated financial statements.*

# Consolidated Statement of Changes in Equity

**For the years ended 31 December 2017 and 31 December 2016:**

| *In thousands of Hungarian Forints (THUF)* | Attributable to the equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Currency translation reserve | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| **Balance at 1 January 2016** | 0 | 0 | 0 | 3,460 | (175,424) | (171,964) | 0 | (171,964) |
| **Profit/(loss) for the year** | 0 | 0 | 0 | 0 | 1,457,384 | 1,457,384 | (7,311) | 1,450,073 |
| **Other comprehensive income** | 0 | 0 | 157,133 | 0 | 0 | 157,133 | 0 | 157,133 |
| Proceeds from shares issued | 37,322 | 0 | 0 | 0 | 0 | 37,322 | 0 | 37,322 |
| Other equity contributions | 0 | 0 | 0 | 31,358 | 0 | 31,358 | 0 | 31,358 |
| Non-controlling interest arising on acquisition | 0 | 0 | 0 | 0 | 0 | 0 | 60,757 | 60,757 |
| Other increase of reserves | 0 | 0 | 0 | 1,256 | 0 | 1,256 | 0 | 1,256 |
| **Transactions with owners** | 37,322 | 0 | 0 | 32,614 | 0 | 69,936 | 60,757 | 130,693 |
| **Balance at 31 December 2016** | 37,322 | 0 | 157,133 | 36,074 | 1,281,960 | 1,512,489 | 53,446 | 1,565,935 |
| **Profit/(loss) for the year** | 0 | 0 | 0 | 0 | 1,967,057 | 1,967,057 | (54,807) | 1,912,250 |
| **Other comprehensive loss** | 0 | 0 | (15,261) | 0 | 0 | (15,261) | 0 | (15,261) |
| Proceeds from shares issued | 8,660,742 | 592,166 | 0 | 0 | 0 | 9,252,908 | 0 | 9,252,908 |
| Other change in reserves *16(d)* | 0 | 0 | 0 | (220,301) | 774 | (219,527) | 0 | (219,527) |
| Reclassification made upon legal merger 16(e) | 554 848 | 0 | 0 | (5,212) | (554,848) | (5,212) | 0 | (5,212) |
| Non-controlling interests arising on acquisition *16(b)* | 0 | 0 | 0 | 0 | 0 | 0 | 8,428,379 | 8,428,379 |
| Pre-acquisition retained earnings of transferred entity 16(e) | 0 | 0 | 0 | 0 | 1,066,586 | 1,066,586 | 0 | 1,066,586 |
| Redemption of non-controlling interests | 0 | 0 | 0 | 0 | 7,102 | 7,102 | (847,258) | (840,156) |
| **Transactions with owners** | 9,215,590 | 592,166 | 0 | (225,513) | 519,614 | 10,101,857 | 7,581,121 | 17,682,978 |
| **Balance at 31 December 2017** | 9,252,912 | 592,166 | 141,872 | (189,439) | 3,768,631 | 13,566,142 | 7,579,760 | 21,145,902 |

The significant movements in the equity items presented above are explained in details in Note 16.

*The notes on pages 6 to 74 are an integral part of these consolidated financial statements*

# Consolidated Statement of Cash Flows

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | *Note* | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from/(used in) operating activities** | | | |
| Profit/(loss) for the period | | 2,116,281 | 1,438,952 |
| ***Adjustments to reconcile profit for the period to net cash used in operating activities:*** | | | |
| Depreciation | *14(a), 14(b) 14(c)* | 144,457 | 207,836 |
| Other non-cash movements | | 192,567 | (468,919) |
| Profit on sale of non-current assets classified as held for sale | *14(g)* | (1,140,694) | 0 |
| Profit on sale of tangible assets | | (8,995) | 0 |
| Net Finance income/expense | *12* | (101,867) | (232,124) |
| Increase in inventory* | *14(e)* | (17,810,664) | (4,132,893) |
| Decrease/(increase) in trade and other receivables | *15(c)* | (1,941,726) | 1,094,634 |
| (Decrease)/increase in liabilities from related parties | *15(b), 15(f)* | (3,280,654) | 20,318 |
| Increase in trade and other payables | *15(g)* | 1,484,179 | 2,896,829 |
| Increase in advances received | *14(h)* | 18,627,733 | 4,439,911 |
| Interest paid | *12* | (218,829) | (49,748) |
| Income tax paid | *13* | (54,630) | (342) |
| **Net cash from/(used in) operating activities** | | ***(1,992,842)*** | ***5,214,454*** |
| **Cash flows from/(used in) investing activities** | | | |
| Proceeds from sale of investment property | *14(b)* | 1,132,000 | 0 |
| Proceeds from sale of non-current assets held for sale | *14(g)* | 7,213,689 | 0 |
| Acquisitions of investment property | *14(b)* | 0 | (219,688) |
| Consideration paid for the acquisition of subsidiaries | *2(g)* | 0 | (19,238,518) |
| Cash of acquired subsidiaries | *2(g)* | 0 | 2 244 448 |
| Acquisitions of tangible assets | *14(a)* | (648,214) | (205,427) |
| Investing in long-term financial assets | *14(f), 15* | (5,481,337) | 0 |
| Proceeds from repayment of long-term financial assets | *14(f), 15* | 0 | 1,323,603 |
| Increase of long-term loan receivables* | 15(a),15(b) | (1,050,379) | (81,285) |
| Repayment of long-term loan receivables | 15(a),15(b) | 74,680 | 313,906 |
| Interest received | 12 | 115,292 | 7,647 |
| **Net cash from/(used in) investing activities** | | ***1,355,731*** | ***(15,855,314)*** |
| **Cash flows from/(used in) financing activities** | | | |
| Proceeds from loans and borrowings | *15(e),15(b)* | 8,549,507 | 20,898,436 |
| Repayment of loans and borrowings* | *15(e),15(b)* | (20,541,919) | (4,691,183) |
| Capital increase | *16(a);16(c)* | 9,252,908 | 37,322 |
| Purchase of NCI shares | *16(b)* | 7,581,121 | 60,757 |
| Other capital contribution | *16(d)* | 0 | 4,216 |
| **Net cash from financing activities** | | **4,841,617** | **16,309,548** |
| **Net change in cash and cash equivalents** | | 4,204,506 | 5,668,688 |
| Cash and cash equivalents at beginning of the year | | 5,766,747 | 98,059 |
| **Cash and cash equivalents at end of the year** | *15(d)* | **9,971,253** | **5,766,747** |

*The notes on pages 6 to 74 are an integral part of these consolidated financial statements*

*Significant transactions with no cash movement

**a) Legal merger**

Cordia International Zrt. acquired several entities through a legal merger as of 20 September 2017. Please see also Note 2(g) for more details.

As a result of the merger, the Group acquired the following assets and liabilities:

| Balance sheet line item | Amount (THUF) |
|---|---|
| Long-term receivables from related parties | 7,725,002 |
| Other current asset | 123,421 |
| Long-term liabilities to related parties | 6,781,837 |

All the acquired long-term receivables and liabilities were balances with companies in the Group, therefore after the merger these were eliminated in the consolidation. Repayment of loans and proceeds from loans granted are presented in the consolidated statement of cash flows showing only the transactions with cash movement. In order to reconcile the cash flow with the balance sheet for these lines, these non-cash movements shall be considered. Please also refer to Note 15(a) and 15(b) for movement tables and other additional information.

**b) Other long-term liabilities**

Other long-term liabilities (please see also 14(j)) increased by 455,433 THUF in 2017 (171,829 THUF in 2016). This includes construction related supplier payables balances. Since this change does not represent a cash movement, the change in the inventories calculated from the balance sheet shall be adjusted with the balance of these unpaid suppliers at the end of each year.

# Notes to the Consolidated Financial Statements

## 1. Background and business of the Company

(a) **Company name:** Cordia International Private Limited Company ('Cordia International Zrt.')
**Headquarter:** 7th floor, 47-53 Futó street, 1082 Budapest
**Company registration number:** 01-10-048844
**Statistical number:** 25558098-6810-114-01
**Tax registration number:** 25558098-2-42

Cordia International Private Limited Company ('the Company'), a Hungarian private limited company with its statutory seat in Budapest, Hungary, was incorporated on 17 April 2016. Please also refer to note 2(g) about basis of preparation of this consolidated financial statements.
The registered office is located at 47-53 Futó street, Budapest, Hungary. The Company (together with its Hungarian and Polish subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Hungary and in Poland.

Cordia International Zrt. (the 'Parent') was established as of 27 April 2016 by Futureal Property Group Kft. As of 31 December 2016, Futureal Property Group Kft. has 100% share in the Parent.
Due to the merger with the companies carved-out from Futureal Financing Pool Vagyonkezelő Kft. as of 20 September 2017, the ownership structure of the Parent has been changed.
As of 31 December 2017 the Company has the following owners:

- Sparks Limited 62. 4% (place of business: 3030 Limassol, Chrysanthou Mylona, 3.)
- FutInvest Hungary Kft 31.2% (place of business: 1082 Budapest, Futó utca 47-53. VII. emelet )
- Futureal Real Estate Holding Ltd 6% (place of business: 1082 Nicosia ,Kyriakou MatsiKyriakou Matsi 16, Eagle House, 10th floor, )
- Futureal Property Group Kft. 0.4% (place of business: 1082 Budapest, Futó utca 47-53. VII. Emelet

Direct controlling party of the Company was Sparks Limited as of 31 December 2017 (Futureal Property Group Kft. as of 31 December 2016). The direct controlling party company does not prepare consolidated financial statements and there is no consolidated financial statement available into which the Company is consolidated.

Upon the merger, the Parent issued 1,000 shares at a nominal value of 1 EUR to Futureal Real Estate Holding Ltd. At the same time the owner of the Parent decided to increase the share capital in the following way:
- Issue of 18,720,000 shares at a nominal value of 1 EUR to Sparks Limited for EUR 20,000,000. The difference between the issue price and nominal value (1,280,000 EUR) was recorded in share premium.
- Issue of 9.360.000 shares at a nominal value of 1 EUR to FutInvest Hungary Kft. for EUR 10,000,000. The difference between the issue price and nominal value (640,000 EUR)was recorded in share premium.
- Issue of 1.799.000 shares at a nominal value of 1 EUR to Futureal Real Estate Holding Lft. for EUR 1,799,000.
The Court registered the changes in the share capital as of 20 September 2017. Please also refer to Note 16(c).

The ultimate controlling parties are Futó Gábor and Futó Péter.

A list of the companies from which the financial data are included in these Consolidated Financial Statements and the extent of ownership and control are presented in Note 1(b).

(b) The details of the Hungarian, and Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and year of joining consolidated group, and the percentage of ownership and voting rights held by the Company as at 31 December 2017, are presented on the following page.

The projects managed by the companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

# Notes to the Consolidated Financial Statements

## 1. Background and business of the Company (cont'd)

| Entity name | Year of incorporation | Share of ownership & voting rights at 12.31.2017 | 31.12.2016 | 01.01.2016[1] | Place of operation | Activity | Type of obtaining control |
|---|---|---|---|---|---|---|---|
| Villena Sp. z o.o. | 2015 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Cordia Wroclaw I Sp. Z o.o. | 2015 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Cordia Zyrardów Sp.z.o.o. | 2015 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Futureal Management Poland Sp. Z.o.o. | 2015 | 100% | N/A | N/A | Poland | providing construction, engineering and management services | Merger |
| CORDIA Polska SP. Z.o.o.. | 2015 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Cereman Vagyonkezelő Zrt. | 2016 | 100% | 100% | N/A | Hungary | Holding company | Foundation |
| Cordia Lands Investment Ltd. | 2016 | 100% | 100% | N/A | Hungary | Holding company | Acquisition |
| Cordia Property Management Kft. | 2016 | 100% | 100% | N/A | Hungary | providing construction, engineering and management services | Foundation |
| Cordia Development 1 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Development 2 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 1 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 2 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 3 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 4 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 5 Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Ingatlanbefektetési Alap | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Acquisition |
| Cordia Management Szolgáltató Kft. | 2016 | 100% | 100% | N/A | Hungary | Investment fund | Foundation |
| Cordia New Ages Ingatlanfejlesztő Kft. | 2016 | 100% | 100% | N/A | Hungary | Providing management services | Acquisition |
| CM-HoldCo Kft | 2016 | 100% | 100% | N/A | Hungary | Holding company | Foundation |
| Sasad Resort 2 Kft | 2016 | 72,5% | 72,5% | N/A | Hungary | Real estate | Acquisition |
| IPOPEMA 146 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych | 2016 | 100% | 100% | N/A | Poland | Investment fund | Acquisition |
| Cordia Poland GP One Spólka Z | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Cordia Project Holding Cordia Poland GP One Spk. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Projekt Warszawa 1 Cordia Poland GP One Spólka z.o.o. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Projekt Warszawa 2 Cordia Poland GP One Spólka z.o.o. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Projekt Warszawa 3 Cordia Poland GP One Spólka z.o.o. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Projekt Warszawa 4 Cordia Poland GP One Spólka z.o.o. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Projekt Kraków 1 Cordia Poland GP One Spólka z.o.o. | 2016 | 100% | N/A | N/A | Poland | Investment fund | Merger |
| Cordia Central Ingatlanfejlesztő Kft. | 2017 | 100% | N/A | N/A | Hungary | Developing company | Foundation |
| Finext Funds (Luxembourg) SICAV-SIF | 2017 | 25% | N/A | N/A | Luxembourg | Investment fund | Foundation |
| Cordia Global 6 Alap | 2017 | 100% | N/A | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 7 Alap | 2017 | 100% | N/A | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 8 Alap | 2017 | 100% | N/A | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 9 Alap | 2017 | 100% | N/A | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 10 Alap | 2017 | 4,71% | N/A | N/A | Hungary | Investment fund | Acquisition |
| Cordia Global 11 Alap | 2017 | 100% | N/A | N/A | Hungary | Investment fund | Acquisition |

[1] Please see Note 2(g) for details about the Group structure and the basis of consolidation.

# Notes to the Consolidated Financial Statements

## 2. Basis of preparation and measurement

### (a) Basis of preparation and statement of compliance

The consolidated financial statements of Cordia International Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRIC). The financial statements are for the group consisting of Cordia International Plc and its subsidiaries.

The consolidated financial statements have been prepared on a going concern basis, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The consolidated financial statements were authorized by the Boards of Directors of Cordia International on 16 November 2018.

The parent company and the subsidiaries operating in Hungary prepare their separate financial statements according to the Hungarian Accounting Standards 2000. C. (the HAS), the subsidiaries operating in Poland prepare their separate financial statements in accordance with accounting policies specified in the Polish Accounting Act dated 29 September 1994 with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). Some of the regulations in the Hungarian or Polish accounting standards are different from IFRS. These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRSs as adopted by EU.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 (e).

### (b) First-time adoption of IFRS

The current consolidated financial statements are the first annual financial statements in which the Group adopts International Financial Reporting Standards (IFRSs) in unreserved compliance with IFRSs.

The Group has not issued consolidated financial statements under the Hungarian Law on Accounting (previous GAAP) in prior reporting periods, therefore direct reconciliation between the previous GAAP and IFRS is not feasible. A reconciliation between the parent company's separate financial statements prepared under previous GAAP and the Group's IFRS consolidated financial statements does not carry any added value, as the parent company represents insignificant part in the Group's operation. The Group had not conducted such substantial business activities, in which case a reconciliation between the financial statements prepared under previous GAAP and the IFRS consolidated financial statements would result in additional relevant information. Based on this consideration the Group does not present any reconciliation between the previous GAAP and the IFRS consolidated financial statements.

### (c) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of those financial assets that have been measured at fair value through profit or loss.

The methods used to measure fair values for the purpose to prepare the consolidated financial statements are discussed further in Note 17.

# Notes to the Consolidated Financial Statements

## 2. Basis of preparation and measurement (cont'd)

### (d) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Hungarian Forint, which is the parent company's functional currency and the Group's presentation currency.

### (e) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for similar transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are fully eliminated, except where there are indications for impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Such transactions or events do not give rise to goodwill. As these transactions meet the exception definition as of IAS 12.15.b deferred tax related to the acquisition is not recognized at the transaction date. In case the transaction is between parties under common control the difference between the fair value of the assets and liabilities acquired and the consideration paid is accounted for in the other capital if it arose from a transaction with owners in their capacity as owners based on the analysis of the substance.

## 2. Basis of preparation and measurement (cont'd)

Otherwise, in case an acquired subsidiary or group of assets meets the definition of "business" as defined by IFRS 3 the Group applies the acquisition method to account for business combinations. In this case the consideration transferred is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

### (f) Use of estimates

The Group estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.
Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

***Deferred tax asset recognition***

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The impacts of the estimates are presented in Note 14(d).

## 2. Basis of preparation and measurement (cont'd)

### (g) Significant judgments

Cordia International Zrt. ("Parent") was established as of 27 April 2016 by Futureal Property Group Kft. The Parent conducted a significant restructuring of the Group in 2016 and 2017 with the ultimate goal of finalizing all the major steps by 31 December 2017. We describe the changes in the Group structure and the related significant accounting policies and judgments below.

Due the Group's restructuring plan, as of 20 September 2017, the Group acquired the following entities through a merger made between Cordia International Zrt. and Futureal Financing Pool Vagyonkezelő Kft.:

- Villena Sp. z o.o.
- Cordia Wroclaw I Sp. Z o.o.
- CORDIA Polska SP. Z.o.o.
- Cordia Zyrardów Sp.z.o.o.
- Cordia Poland GP One Spólka Z
- Futureal Management Poland Sp. Z.o.o.
- Cordia Project Holding Cordia Poland GP One Spk.
- Projekt Warszawa 1 Cordia Poland GP One Spólka z.o.o.
- Projekt Warszawa 2 Cordia Poland GP One Spólka z.o.o.
- Projekt Warszawa 3 Cordia Poland GP One Spólka z.o.o.
- Projekt Warszawa 4 Cordia Poland GP One Spólka z.o.o.
- Projekt Kraków 1 Cordia Poland GP One Spólka z.o.o.

Futureal Financial Pool Vagyonkezelő Kft. was ultimately controlled by Futó Gábor and Futó Péter directly before and after the transaction, therefore this is considered to be a transaction under common control. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. IAS 8 requires management, if there is no specifically applicable standard or interpretation, to develop a policy that is relevant to the decision-making needs of users and that is reliable. Management decided to apply "predecessor accounting". The principles of predecessor accounting used in the consolidated financial statements were:

- Assets and liabilities of the acquired entities were stated at predecessor carrying values. Fair value measurement was not made.

- No new goodwill arose.

- Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of the transaction was included in equity in retained earnings and other reserve.

- Retrospective presentation method is applied meaning, that the acquired entities' results and balance sheet are incorporated as if both entities (acquirer and acquiree) had always been combined.

- Since there were no consolidated figures available for the acquired entities, the amounts stated in the stand-alone financial statements of the acquired entities were used as predecessor carrying values.

This means, that although Cordia International Zrt. was established in April 2016, due to predecessor accounting method described above, the consolidated financial statements also include the figures of the entities listed above from 1 January 2016.

The total carrying amount of assets and liabilities acquired by Cordia International Zrt. through the merger as of 20 September 2017 was THUF 1,066,586. This included the following assets and liabilities:

| Balance sheet line item | Amount (THUF) |
|---|---|
| Long-term receivables from related parties | 7,725,002 |
| Other current asset | 123,421 |
| Long-term liabilities to related parties | 6,781,837 |

Please note that the amounts disclosed above include balances with Cordia Group. Please also refer to Note 15(a), 15(b) and consolidated statement of cash flows for other additional information.

THUF 1,066,586 was recorded as an increase of retained earnings in 2017.

Cordia International Zrt. made also the following acquisition in financial year 2016:

- As of 2 June 2016, it has acquired Cordia Lands Investment Ltd. from Futureal Development Holding Zrt. Futureal Development Holding Zrt. was ultimately controlled by Futó Gábor and Futó Péter directly before and after the transaction, therefore this is considered to be a transaction under common control. Since Cordia Lands Investment Ltd. is a pure holding entity, this was an asset acquisition and no goodwill was recognized on the transaction.

- As of 30 June 2016, Cordia International Zrt. purchased the majority shareholding of Cordia Ingatlanbefektetési Alap. This transaction was also considered to be an asset acquisition.

- As of 19 September 2016, Cordia Lands Investment ltd. purchased the majority shareholding of Cordia New Ages Ingatlanfejlesztő Kft. from Futureal Development Holding Zrt. Since Cordia New Ages Ingatlanfejlesztő Kft. is a pure holding entity, this was an asset acquisition and no goodwill was recognized on the transaction.

- As of 20 September 2016, Cordia Lands Investment Ltd. purchased the investment notes of the following investment project funds:

  - Cordia Development 1 Alap
  - Cordia Development 2 Alap
  - Cordia Global 1 Alap
  - Cordia Global 2 Alap
  - Cordia Global 3 Alap
  - Cordia Global 4 Alap
  - Cordia Global 5 Alap

  These funds were purchased from Cordia Ingatlanbefektetési Alap. These funds have no employees and have one residential property under development with the related bank loan therefore do not meet the definition of business, as a result these transactions were accounted for as asset acquisition and no goodwill was recognized.

- As of 28 October 2016, Cordia Lands Investment Ltd. acquired IPOPEMA 146 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych from an independent third party. This was an asset acquisition because the acquired company was purely empty and no goodwill was recognized on the transaction.

- As of 7 December 2016, Cordia New Ages Ingatlanfejlesztő Kft. acquired 72.5% and obtained control over Sasad Resort 2 Kft. from an independent third party. This was an asset acquisition because the acquired company was purely empty and no goodwill was recognized on the transaction.

Entities acquired mainly contained only cash, inventory and loan balances. Other asset and liability balances were not material. Please refer to consolidated statements of cash flows, Note 14(e) and 15(e) for additional information.

Cordia International Zrt. established the following entities:

| Newly established entities | Date of establishment |
|---|---|
| Cereman Vagyonkezelő Zrt. | 2016 |
| Cordia Property Management Kft. | 2016 |
| Cordia Management Szolgáltató Kft | 2016 |
| CM-HoldCo Kft. | 2016 |
| Cordia Centrál Ingatlanfejlesztő Kft | 2017 |
| Finext Funds (Luxembourg) SICAV-SIF | 2017 |
| Cordia Global 6 Alap | 2017 |
| Cordia Global 7 Alap | 2017 |
| Cordia Global 8 Alap | 2017 |
| Cordia Global 9 Alap | 2017 |
| Cordia Global 10 Alap | 2017 |
| Cordia Global 11 Alap | 2017 |

The Group has three subsidiaries with non-controlling interest. These entities are the following:

| Entity name | Principal place of business | Shares owned by NCI (%) | Profit / loss allocated to NCI (2016) - THUF | Profit / loss allocated to NCI (2017) - THUF | Accumulated NCI 12.31.2016 - THUF | Accumulated NCI 12.31.2017 - THUF |
|---|---|---|---|---|---|---|
| Sasas Resort 2 Kft. | Hungary | 27,5 | (7,311) | (17,111) | 53,446 | 36,335 |
| Cordia Global 10 Alap | Hungary | 95,29 | n/a | (6,150) | n/a | 74,970 |
| Finext Funds SICAV | Luxembourg | 75 | n/a | (31,546) | n/a | 7,468,455 |

In case of Sasad Resort 2 Kft., shareholdings represent the voting rights owned by the Group. This is not the case for Cordia Global 10 and Finext Funds (Luxembourg) SICAV-SIF, where Cordia International owns less than 50% of the investment units, but it is capable of controlling the entities through the rights provided by its shares. This means that both Cordia Global 10 and Finext Funds SICAV-SIF issued two classes of investment units, where the ones owned by Cordia International Zrt. allow it to control the entities as required by IFRS 10 (i.e. all the major decisions are to be decided by Cordia International). The investment units held by the non-controlling interest do not provide any right over the relevant activities, but they offer a dividend. The dividend is discretionary and do not result any obligation arising for the entity. Based on this, the shares owned by the non-controlling parties are considered to be equity instruments based on IAS 32.

Please see below the summarized financial information of the entities with NCI below (calculated in THUF, based on the stand-alone financial statements of the entities):

| Entity name | Total assets 12.31.2016. | Total assets 12.31.2017 | Equity 12.31.2016 | Equity 12.31.2017 | Profit/(loss) 2016 | Profit/(loss) 2017 |
|---|---|---|---|---|---|---|
| Sasad Resort 2 Kft. | 2,814,141 | 2,649,913 | (266,663) | (443,548) | 110,534 | (465,668) |
| Cordia Global 10 fund | n/a | 87,798 | n/a | 84,042 | n/a | (8,194) |
| Finext Funds SICAV | n/a | 11,822,811 | n/a | 11,822,811 | n/a | 1,822,811 |

## 3. Significant accounting policies

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

### (a) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss for the year except for the exchange gains and losses related to cash flow hedges or hedges for qualified investments which shown in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalized as explained in Note 3(q) ("Borrowing costs"). All other foreign exchange gains and losses are presented net also in the income statement within finance costs and finance income respectively.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### (b) Revenue

The Group recognizes revenue when

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Group's activities as described below.

The revenue are net of returns, trade allowances, and rebates.

*i. Revenues from sale of residential units*

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the residential unit), after a valid building occupancy permit has been obtained by the Group.
Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognized as revenue. As the time value of money is not material on these customer advances under the current economic circumstances, they are recognized at nominal value in the statement of financial position.

*ii. Other revenues*

Other revenues include rental income, service charges and management charges from properties. Revenue from service and management charges is measured at the fair value of the consideration received or receivable, and amounts disclosed as net of rebates and VAT.

Other revenues also include plot assignor fees. These fees include the consideration received in return for transferring to Group's right to purchase certain properties at a fixed price. It is the customary business practice of the Group, that when certain properties are sold to related parties outside the Group, the related purchase right is retained. Transferring these rights are considered to form part of the ordinary activities of the Group. Management believes, that the Group will continue its current business model and it is planned to have such transactions in the future as well. Based on this, plot assignor fees are classified as revenue and they are recognized upon receiving the consideration for the transfer of the right.

Rental income from operating leases is recognized on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income. Revenues from the early termination of operating leases recognized at the date of occurrence.

Revenues from service charges are recognized in the accounting period in which the compensation becomes receivable. The Group acts as principal, therefore the gross income is recorded as revenue, because the Group takes on the risks and enjoys the economic benefits. The detailed description is in Note 5.

## (c) Financial instruments

### *i. Classification*

Financial assets are classified as loans and receivables, or available-for-sale financial assets, as appropriate. The Group does not have available-for-sale and held-to-maturity financial assets. The classification depends on the purpose of the asset. The management determines the classification of its financial assets at initial recognition. All the financial liabilities of the Group are kept at amortized cost.

*(a) Financial assets at fair value through profit or loss*

All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading. The Group classifies these assets in the current assets if they are expected to be sold in 12 months. in any other cases they are shown in non-current assets. Currently, only the other investments held by Group are classified to this category (Note 17).

*(b) 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 are classified in current assets except for those, which maturity is more than 12 months, as those are classified as non-current assets. Loans and receivables are in lines „Long-term receivables", "Long-term receivables from related parties", "Long-term financial assets", „Trade and other receivables", "Short-term receivables from related parties", "Loan receivables", "Other financial assets" and „Cash and cash equivalents" (Note 15).

*(c) Financial liabilities held at amortized cost*

These finanical liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Financial liabilities are classified in current liabilities except for those, which maturity is more than 12 months, as those are classified as non-current liabilities. Financial liabilities are in lines „Loans" (non-current and current), "Long-term liabilities to related parties", "Trade and other payables", and "Short-term liabilities to related parties (Note 15).

### *ii. Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Loans and receivables recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. Financial liabilities are measured at amortized cost using the effective interest method.

### *iii. Offsetting financial assets and financial liabilities*

Financial assets and liabilities are offset and presented in the statement of financial position as a net amount when the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### iv. *Impairment of financial assets*

***Assets at amortized costs***

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in income statement. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in income statement.

## (d) Trade and other receivables

Financial assets recognized in the consolidated statement of financial position as trade receivables are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment.

## (e) Receivables from related parties

Financial assets recognized in the consolidated statement of financial position as receivables from related parties consist of contract amount receivable in the normal business activity for goods and services, as well as loans granted to affiliates. Receivables from related parties are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment. Receivables from related parties are classified as current assets if the payment term is less than 12 months, in any other cases they are classified as non-current assets.

## 3. Significant accounting policies (cont'd)

### (f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, except for collateralized deposits.
The overdrafts are shown in current liabilities in borrowings line.

### (g) Trade and other payables

Trade payables are contract amount payable in the normal business activity for goods and services. Trade payables are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.
Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### (h) Liabilities to related parties

Liabilities to related parties are contract amount payable in the normal business activity for goods and services, as well as loans payable to affiliates. Liabilities to related parties are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.
Liabilities to related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### (i) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down (and should be calculated with in the effective interest calculation and the amortized cost of the loan). In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

### (j) Property and equipment

#### *i. Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.
When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

# Notes to the Consolidated Financial Statements

## 3. Significant accounting policies (cont'd)

*ii. Depreciation*

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

· Buildings: 50 years;
· Equipment's: 7 years;
· Fixtures and fittings: 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

### (k) Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

### (l) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition.

### (m) Inventories of residential units

Inventories consist of multi-family residential real estate projects to individual customers.
Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project.
Costs relating to the construction of a project are included in inventories of residential units as follows:
costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
costs incurred relating to units unsold associated with a project.

Project construction costs include:

- land or leasehold rights for land;
- construction costs paid to the general contractor building the residential project;
- planning and design costs;

- perpetual usufruct fees and real estate taxes incurred during the period of construction;
- borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (q));
- professional fees attributable to the development of the project;
- construction overheads and other directly related costs.

Inventory is recognized as a cost of sales in the statement of comprehensive income when the sale of residential units is recognized.

### (n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or a cash generating unit's recoverable amount is estimated.
An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.
The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (o) Equity

*i.* ***Share capital***
Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash.

*ii.* ***Share premium***
Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares. Shares issuance costs are deducted from the share premium.

### (p) Dividend distribution

Dividend distribution to the parent company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

# Notes to the Consolidated Financial Statements

## 3. Significant accounting policies (cont'd)

### (q) Borrowing costs

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.
The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized equals the gross interest incurred on those borrowings. Interest is capitalized as from the commencement of the development work until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.
All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### (r) Interest income and expense

Interest income and expense are recognized within `finance income' and `finance expense' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalized as part of the cost of that asset. The Group has chosen to capitalize borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not. Properties built in residential property development projects are considered to be qualifying assets for the Group.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### (s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or equity - in which case, the tax is also recognized in other comprehensive income or equity.
The Group based on the operation of the mother company considers the following taxes as income tax defined by IAS 12:

- corporate income tax;
- local trade tax;
- innovation duty.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, 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 consolidated financial statements. However, 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 date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

# Notes to the Consolidated Financial Statements

## 3. Significant accounting policies (cont'd)

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
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 assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.
The Group established a tax-efficient legal structure, as the SPVs (property development funds) are not obliged to pay income taxes under the current laws and regulations, therefore the Group's effective tax rate is extremely low (please see effective tax reconciliation in Note 13).

### (t) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# Notes to the Consolidated Financial Statements

## 4. Adoption of new and revised Standards

**A) Certain new standards and interpretations have been issued that are not yet effective, and which the Group has not early adopted:**

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  Currently the Group is assessing any potential impact of IFRS 9 on financial instruments. It is assumed that the new impairment model will not affect significantly the Group's financial statements, as in the prior and current periods only insignificant amount of the receivables had to be written-off as bad debt (at reporting date the bad debt balance is 0 Hungarian Forints).

  The effect of classification changes is considered to be not significant as the Group has only loans and receivables, as well as an available-for-sale financial asset with immaterial balance at reporting date.

# Notes to the Consolidated Financial Statements

## 4. Adoption of new and revised Standards (cont'd)

- IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
  The Group has assessed any potential impact of IFRS 15, and as a result, it was identified that there will be no change in the Group's revenue recognition.

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

  The Group has assessed any potential impact of the amendment, and as a result, it was identified that there will be no change in the Group's revenue recognition.

- IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The Group is presenting operating lease commitments according to IAS 17 in Note 18. Taking into consideration the amount of these commitments, the effect of the application of IFRS 16 will not be significant on the financial statements.

# Notes to the Consolidated Financial Statements

## 4. Adoption of new and revised Standards (cont'd)

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016, the EU has not yet endorsed the interpretation). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof ) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognizes a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.

  Since the majority of the Group's development projects has not finished until reporting date, the new IFRIC is currently not relevant for the Group, however, when the projects will be completed, the relating revenues will be recognized in compliance with the new methodology. As there are significant customer advances in the balance sheet, the effect of the application of IFRIC 22 is expected to be moderate on the financial statements.

# Notes to the Consolidated Financial Statements

## 5. Revenue

| **For the year ended 31 December**<br>*In thousands of Hungarian Forints (THUF)* | **2017** | **2016** |
|---|---|---|
| Sale of residential units | 3,654,147 | 0 |
| Sale of parking lots | 4,724 | 0 |
| **Revenue from sale of real estate** | **3,658,871** | **0** |
| Plot assignor fee (related party) | 2,274,858 | 2,973,493 |
| Other revenue (services provided) | 984,412 | 947,612 |
| **Total revenue** | **6,918,141** | **3,921,105** |

Revenue consists of sale of residential units and related parking lots, rental and service charge revenues, assignment fee for the purchase right of a land plot.

Plot assignor fees include the consideration received in return for transferring property purchase rights. Transferring these rights are considered to form part of the ordinary activities of the Group. Management believes, that the Group will continue its current business model and it is planned to have such transactions in the future as well. Based on this, plot assignor fees are classified as revenue and they are recognized upon receiving the consideration for the transfer of the right. Please refer to note 3.b about most significant accounting policies.

The Group finished its first project (in Poland) and handed over the apartments to the customers in 2017. This is the reason for the significant increase in the revenue.

Please refer also to note 19 about related party transactions.

## 6. Cost of sales

| **For the year ended 31 December**<br>*In thousands of Hungarian Forints (THUF)* | **2017** | **2016** |
|---|---|---|
| Cost of sales of residential units | 2,657,151 | 0 |
| Cost of sales of parking lots | 3,590 | 0 |
| **Cost of sales of main activities** | **2,660,741** | **0** |
| Cost of sales of other revenue | 278,370 | 357,445 |
| **Total cost of sales** | **2,939,111** | **357,445** |

Cost of sales of other revenue consists of service charge costs and depreciation of the investment properties.

## 7. Selling and marketing expenses

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| Advertising | 1,140,155 | 1,044,169 |
| Other | 1,380 | 3,451 |
| **Total selling and marketing expenses** | **1,141,535** | **1,047,620** |

The majority of selling and marketing expenses is related to advertising residential properties under construction. Advertising expenses includes all the marketing costs not directly related and not incremental to a specific customer contract. Incremental sales bonuses are capitalized as "Other long-term assets" in an amount of THUF 306,495 as of 31 December 2017 (THUF 0 as of 31 December 2016).

## 8. Administrative expenses

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| Personnel expenses | 1,317,088 | 151,335 |
| External services | 205,060 | 401,690 |
| Materials and energy | 35,385 | 56,687 |
| Depreciation | 124,108 | 6,200 |
| Bank fees and other charges | 178,456 | 63,924 |
| **Total administrative expenses** | **1,860,097** | **679,836** |

Personnel expenses are related to staff of the Hungarian and the Polish management companies (Cordia Management Szolgáltató Kft. and Futureal Management Poland Sp. Z.o.o). This does not include construction and engineering staff costs, which are capitalized as inventory.
Most of the employees in Hungary have been transferred to the management company in 2017. This is the reason for the increase compared to 2016. In 2016, most of the employees worked for other companies outside the consolidation group and they were recorded as service cost.

## 9. Breakdown of expenses by nature

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| Employee benefits expenses | 1,317,088 | 155,970 |
| Material type expenditures | 1,560,436 | 1,569,921 |
| Depreciation and amortization | 124,108 | 207,836 |
| **Total** | **3,001,632** | **1,933,727** |

## 10 Other expenses

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| Taxes | 106,752 | 21,984 |
| Other | 5,937 | 150,782 |
| **Total other expense** | **112,689** | **172,766** |

## 11. Other income

| **For the year ended 31 December**<br>*In thousands of Hungarian Forints (THUF)* | **2017** | **2016** |
|---|---|---|
| Net gain (loss) on non-current asset held for sale and investment property sold *Note 14(b), 14(g)* | 1,140,694 | 181 |
| Other | 9,011 | 7,457 |
| **Total other income** | **1,149,705** | **7,638** |

## 12. Finance income and expense

| **For the year ended 31 December 2017**<br>*In thousands of Hungarian Forints (THUF)* | **Total amount** |
|---|---|
| Interest income | 115,292 |
| Other finance income | 820,377 |
| **Finance income** | **935,669** |
| Interest expense | 214,517 |
| Other finance expense | 619,285 |
| **Finance expense** | **833,802** |
| **Net finance income / (expense)** | **101,867** |

| **For the year ended 31 December 2016**<br>*In thousands of Hungarian Forints (THUF)* | **Total amount** |
|---|---|
| Interest income | 7,647 |
| Other finance income | 137,084 |
| **Finance income** | **144,731** |
| Interest expense | 49,749 |
| Other finance expense | 327,106 |
| **Finance expense** | **376,855** |
| **Net finance income / (expense)** | **(232,124)** |

Other finance income and cost is mainly related to realized foreign exchange differences on borrowing and trade payables.

Please refer to Note 15(b) about loans granted to related parties, which generates most of the interest income. Interest expense is recognized mainly for bank and related party loans. Please also refer to Note 15(e) about loans and Note 15(f) about liabilities to related parties.

# Notes to the Consolidated Financial Statements

## 13. Income tax

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| **Current tax** | | |
| Current period | 91,640 | 50,564 |
| Taxation in respect of previous periods | 0 | 0 |
| **Total current tax expense / (benefit)** | **91,640** | **50,564** |
| **Deferred tax** | | |
| Origination and (reversal) of temporary differences | 103,644 | (80,129) |
| Tax losses utilized / (recognized) | 8,747 | 18,445 |
| **Total deferred tax expense / (benefit)** | **112,391** | **(61,684)** |
| **Total income tax expense / (benefit)** | **204,031** | **(11,120)** |

**Reconciliation of deferred tax asset**

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| **Opening balance deferred tax asset** | **77,900** | **26,873** |
| **Opening balance deferred tax liability** | **0** | **0** |
| Charged to the income statement | (112,391) | 61,684 |
| Exchange difference | 3,595 | (10,567) |
| **Closing balance (deferred tax asset- deferred tax liability)** | **(30,896)** | **77,900** |

**Reconciliation of effective tax rate**

| For the year ended 31 December<br>*In thousands of Hungarian Forints (THUF)* | 2017 | 2016 |
|---|---|---|
| Profit / (loss) for the year | 1,912,250 | 1,450,072 |
| Total income tax expense / (benefit) | 204,031 | (11,120) |
| **Profit / (loss) before income tax** | **2,116,281** | **1,438,952** |
| ***Expected income tax using the Hungarian tax rate (9%)*** | **190,465** | **129,506** |
| ***Tax effect of*:** | | |
| Impact of other income taxes[2] | 44,621 | 0 |
| Non-taxable profit[3] | (91,555) | (127,141) |
| Other differences[4] | 60,500 | (13,485) |
| **Tax expense for the period** | 204,031 | (11,120) |
| **Effective tax rate** | 10% | -1% |

[2] This line mainly includes the impact of Hungarian local business tax, which is also classified as income tax based on IAS 12.

[3] Hungarian investments funds are not subject to income tax.

[4] Other differences contains non deductible expenses, impacts of different tax rates used at foreign entities, change in tax rate in Hungary in 2017 and foreign exchange differences. None of these items are material separately.

# Notes to the Consolidated Financial Statements

## 14. Non-financial assets and liabilities

This note provides information about the group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability:
- Intangible assets (note 14(a))
- Investment properties (note 14(b))
- Property, plant and equipment (note 14(c))
- Deferred tax balances (note 14(d))
- Inventories (note 14(e))
- Other assets (note 14(f))
- Assets classified as held for sale (note 14(g))
- Customer advances (note 14(h)).

## 14.(a) Intangible assets

| **For the year ended 31 December 2017** <br> *In thousands of Hungarian Forints (THUF)* | **Software** | **Intellectual property and rights** | **Total** |
|---|---|---|---|
| **Cost or deemed cost** | | | |
| Balance at 1 January | 7,282 | 1,794 | 9,076 |
| Additions | 8,220 | 141,169 | 149,389 |
| **Closing balance** | **15,502** | **142,963** | **158,465** |
| **Depreciation and impairment losses** | | | |
| Balance at 1 January | 6 | 0 | 6 |
| Depreciation for the period | 3,924 | 17,547 | 21,471 |
| **Closing balance** | **3,930** | **17,547** | **21,477** |
| **Carrying amounts** | | | |
| At 1 January | 7,276 | 1,794 | 9,070 |
| **Closing balance** | **11,572** | **125,416** | **136,988** |

The increase in intangible assets consists of the normal office software and the implementation of Axapta ERP system, Salesforce sales system and Jedox enterprise planning system. All intangible assets has finite useful lives and they are amortized using the straight-line method. Average useful life is 3 years.

# Notes to the Consolidated Financial Statements

## 14.(a) Intangible assets (cont'd)

| For the year ended 31 December 2016<br>*In thousands of Hungarian Forints (THUF)* | Software | Intellectual property and rights | Total |
|---|---|---|---|
| **Cost or deemed cost** | | | |
| Balance at 1 January | 58 | 92 | 150 |
| Additions | 7,224 | 1,702 | 8,926 |
| **Closing balance** | **7,282** | **1,794** | **9,076** |
| **Depreciation and impairment losses** | | | |
| Balance at 1 January | 0 | 0 | 0 |
| Depreciation for the period | 6 | 0 | 6 |
| **Closing balance** | **6** | **0** | **6** |
| **Carrying amounts** | | | |
| At 1 January | 58 | 92 | 150 |
| **Closing balance** | **7,276** | **1,794** | **9,070** |

## 14.(b) Investment property

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Balance at 1 January | 1,059,125 | 0 |
| Acquisition of subsidiary | 0 | 1,091,457 |
| Depreciation | (17,241) | (32,332) |
| Disposal | (1,041,884) | 0 |
| **Closing balance at 31 December** | 0 | 1,059,125 |

As at 31 December 2016, the investment property included property held for long-term rental yields and capital appreciation, and were not occupied by the Group. The investment property consists of one real estate object located in Budapest:

- The real estate is located at 123, Da Vinci street (in the Sun Resort project), with a total aggregate usable floor space of 1535,43 m2 leased to third parties. The real estate is operating as a Casino.

The company is adopted the cost model over the fair value model for the investment properties. After initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment – cost less accumulated depreciation and less accumulated impairment losses.
At 31.12.2016 the market value of the investment property was THUF 1.096.000.
During the year ended 31 December 2016 the rental income from investment property amounted to HUF 98,097 thousand, respectively.
Finally the investment property was sold on 11.10.2017 to a related party (Futureal 1 Ingatlanbefektetési Alap) for 1,132,000 THUF, so that there were no investment property held by the Company as of 31 December 2017.

# Notes to the Consolidated Financial Statements

## 14.(c) Property and equipment

| **For the year ended 31 December 2017** *In thousands of Hungarian Forints (THUF)* | **Buildings** | **Machinery and vehicles** | **Furniture, fittings and equipment** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| Balance at 1 January | 6,308 | 14,492 | 20,391 | 154,645 | 195,836 |
| Additions | 258,012 | 31,491 | 363,966 | 498 824 | 1,152,293 |
| Sales and disposals | 0 | 0 | (11,139) | 0 | (11,139) |
| Capitalization | 0 | 0 | 0 | (653 469) | (653 469) |
| **Closing balance** | **264,320** | **45,983** | **373,218** | **0** | **683,521** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 January | 1,200 | 6,521 | 6,371 | 0 | 14,092 |
| Depreciation for the period | 6,873 | 5,689 | 93,184 | 0 | 105,746 |
| Sales and disposals | 0 | 0 | (306) | 0 | (306) |
| **Closing balance** | **8,073** | **12,210** | **99,249** | **0** | **119,532** |
| **Carrying amounts** | | | | | |
| At year-end | 256,247 | 33,773 | 273,969 | 0 | 563,989 |
| **Closing balance** | **256,247** | **33,773** | **273,969** | **0** | **563,989** |

| **For the year ended 31 December 2016** *In thousands of Hungarian Forints (THUF)* | **Buildings** | **Machinery and vehicles** | **Furniture, fittings and equipment** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| Balance at 1 January | 6,308 | 7,687 | 17,671 | 0 | 31,666 |
| Additions | 0 | 6,805 | 2,720 | 164,170 | 173,695 |
| Sales and disposals | 0 | 0 | 0 | 0 | 0 |
| Capitalization | 0 | 0 | 0 | (9,525) | (9,525) |
| **Closing balance** | **6,308** | **14,492** | **20,391** | **154,645** | **195 836** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 January | 198 | 2,915 | 1,074 | 0 | 4,187 |
| Depreciation for the period | 1,002 | 3,606 | 5,297 | 0 | 9,905 |
| **Closing balance** | **1,200** | **6,521** | **6,371** | **0** | **14,092** |
| **Carrying amounts** | | | | | |
| At year-end | 5,108 | 7,971 | 14,020 | 154,645 | 181,744 |
| **Closing balance** | **5,108** | **7,971** | **14,020** | **154,645** | **181,744** |

**Impairment loss**
In the years ended 31 December 2017 and 31 December 2016, the Group did not recognize any impairment loss with respect to property and equipment.

# Notes to the Consolidated Financial Statements

## 14.(d) Deferred tax assets and liabilities

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at the beginning and end of the financial periods are attributable to the following:

| *In thousands of Hungarian Forints (HUF)* | Opening balance 01.01.2017 | Recognized in the income statement | Closing balance 31.12.2017 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Tax loss carry forward | 24,527 | 8,747 | 33,274 |
| Inventory | 55,723 | 37,898 | 93,621 |
| Unrealised exchange loss | (2,350) | 784 | (1,566) |
| Fixed assets | 0 | (294) | (294) |
| Other | 0 | 10,055 | 10,055 |
| **Total deferred tax assets** | **77,900** | **57,190** | **135,090** |

| *In thousands of Hungarian Forints (HUF)* | Opening balance 01.01.2017 | Recognized in the income statement | Closing balance 31.12.2017 |
|---|---|---|---|
| **Liabilities** | | | |
| Inventory | 0 | 133,172 | 133,172 |
| Other | 0 | 32,814 | 32,814 |
| **Total deferred tax liabilities** | **0** | **165,986** | **165,986** |

| *In thousands of Hungarian Forints (HUF)* | Opening balance 01.01.2016 | Recognized in the income statement | Closing balance 31.12.2016 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Tax loss carry forward | 6,082 | 18,445 | 24,527 |
| Inventory differences | 20,701 | 35,022 | 55,723 |
| Unrealised exchange loss | 0 | (2,350) | (2,350) |
| **Total deferred tax assets** | **26,783** | **51,117** | **77,900** |

# Notes to the Consolidated Financial Statements

## 14.(d) Deferred tax assets and liabilities (cont'd)

| *In thousands of Hungarian Forints (HUF)* | Opening balance 01.01.2016 | Recognized in the income statement | Closing balance 31.12.2016 |
|---|---|---|---|
| Deferred tax assets | 26,783 | 51,117 | 77,900 |
| Deferred tax liabilities | 0 | 0 | 0 |
| **Deferred tax assets reported in the statement of financial position** | **26,783** | **51,117** | **77,900** |
| **Deferred tax liabilities reported in the statement of financial position** | **0** | **0** | **0** |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Deferred tax assets** | | |
| Deferred tax assets to be recovered after more than 12 months | 43,330 | 24,527 |
| Deferred tax assets to be recovered within 12 months | 91,760 | 53,373 |
| **Total deferred tax assets** | **135,090** | **77,900** |

### Realization of deferred tax assets

In assessing the realisability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset (before offsetting against deferred tax liability), the Group will need to generate future taxable income of approximately HUF 7,092,478 thousand. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will not realize the total benefits of these deductible differences and because of that HUF 3,194,955 tax losses will not be utilized. The amount of the deferred tax asset which is considered realizable, could however be reduced some more in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses in Poland and Hungary are required to be utilized within 5 years following the period in which they originated, subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year. Tax losses in Hungary from 2014 and from prior years are required to be utilized by 31.12.2025.

# Notes to the Consolidated Financial Statements

## 14.(d) Deferred tax assets and liabilities (cont'd)

### Tax losses carry forward

| As at 31 December | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| *In thousands of Hungarian Forints (HUF)* | Recognized tax losses | Unrecognized tax losses | Total tax losses | Recognized tax losses | Unrecognized Tax losses | Total tax losses |
| Tax loss before 2012 | 150,000 | 1,777,980 | 1,927,980 | 163,877 | 1,777,980 | 1,941,857 |
| Tax loss 2012 carried for. | 0 | 110,059 | 110,059 | 0 | 110,059 | 110,059 |
| Tax loss 2013 carried for. | 0 | 350,317 | 350,317 | 0 | 350,317 | 350,317 |
| Tax loss 2014 carried for. | 0 | 517,210 | 517,210 | 10,554 | 517,210 | 527,764 |
| Tax loss 2015 carried for. | 7,382 | 439,389 | 446,771 | 21,457 | 439,389 | 460,846 |
| Tax loss 2016 carried for. | 27,206 | 0 | 27,206 | 32,425 | 0 | 32,425 |
| Tax loss 2017 carried for. | 166,697 | 0 | 166,697 | 0 | 0 | 0 |
| **Total tax losses carried forward** | **351,285** | **3,194,955** | **3,546,240** | **228,313** | **3,194,955** | **3,423,268** |

The deferred tax assets on tax losses carried forward expire in the following years:

| *In thousands of Hungarian Forints (HUF)* | As at 31 December 2017 |
|---|---|
| 2018 | 0 |
| 2019 | 0 |
| 2020 | 1,107 |
| 2021 | 3,665 |
| After 2021 | 28,503 |
| **Total deferred tax asset in respect of tax losses carried forward** | 33,275 |

### Movement in unrecognized deferred tax assets on tax losses carried forward

Unrecognized deferred tax assets on tax losses carried forward are presented in the table below:

| *In thousands of Hungarian Forints (HUF)* | Balance 01.01.2016 | Tax losses expired | Additions/ (Realizations) | Balance 31.12.2016 | Tax losses expired | Additions/ (Realizations) | Balance 31.12.2017 |
|---|---|---|---|---|---|---|---|
| Tax losses | 0 | 0 | 287,546 | 287,546 | 0 | 0 | 287,546 |
| **Total** | **0** | **0** | 287,546 | 287,546 | **0** | **0** | **287,546** |

The Company is not recognizing the total deferred tax assets on tax losses carried forward in case of Sasad Resort II. The accumulated tax losses available for carry forward for Sasad Resort II as per 31 December 2017 are estimated to be HUF 3,344,955 thousand but only HUF 75,000 thousand tax losses will be likely utilized.

# Notes to the Consolidated Financial Statements

## 14.(d) Deferred tax assets and liabilities (cont'd)

The unrecognized tax losses expire as follows:

| *In thousands of Hungarian Forints (HUF)* | As at 31.dec.17 | As at 31.dec.16 |
|---|---|---|
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 7 382 | 0 |
| 2021 | 27 206 | 0 |
| After 2021 | 3 160 367 | 3 194 955 |
| **Total unrecognized tax losses carried forward** | **3 194 955** | **3 194 955** |

### Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

The Company did not recognize the entire deferred tax asset at consolidation level resulting from contributions as the recoverability of such assets is uncertain. Total unrecognized deferred tax assets as at 31 December 2016 and 2017 are estimated to be HUF 3,194,955 thousand.

### Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

# Notes to the Consolidated Financial Statements

## 14.(e). Inventory

### For the year ended 31 December 2017

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| *Borrowing costs* | 384,466 | 768,622 |
| *Construction costs* | 4,649,457 | 13,843,132 |
| *Acquisition* | 12,355,309 | 11,898,011 |
| *Lands* | 650,419 | 7,453,253 |
| *Engineering and construction fees* | 443,904 | 1,380,158 |
| *Planning* | 263,910 | 1,521,792 |
| *Other* | 102,690 | 260,239 |
| ***Work in progress*** | **18,850,155** | **37,125,207** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| ***Finished goods*** | **0** | **236,773** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| *Borrowing costs* | 1,650 | 0 |
| *Lands* | 492,891 | 0 |
| *Other* | 10,953 | 0 |
| ***Goods for resale*** | **505,494** | **0** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| ***Advances for delivery of goods*** | **44,957** | **174,724** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| ***Write-down*** | **(129,999)** | **0** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2017** | **Closing balance 31.12.2017** |
|---|---|---|
| ***Total inventories at the lower of cost or net realizable value*** | **19,270,607** | **37,536,704** |

# Notes to the Consolidated Financial Statements

## 14.(e) Inventory (cont'd)

### For the year ended 31 December 2016:

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2016** | **Closing balance 31.12.2016** |
|---|---|---|
| *Borrowing costs* | 158,958 | 384,466 |
| *Construction costs* | 1,112,044 | 4,649,457 |
| *Acquisition* | 0 | 12,355,309 |
| *Lands* | 1,214,953 | 650,419 |
| *Engineering and construction fees* | 124,622 | 443,904 |
| *Planning* | 0 | 263,910 |
| *Other* | 0 | 102,690 |
| ***Work in progress*** | **2,610,577** | **18,850,155** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2016** | **Closing balance 31.12.2016** |
|---|---|---|
| *Borrowing costs* | 0 | 1,650 |
| *Lands* | 0 | 492,891 |
| *Other* | 0 | 10,953 |
| ***Goods for resale*** | **0** | **505,494** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2016** | **Closing balance 31.12.2016** |
|---|---|---|
| ***Advances for delivery of goods*** | **0** | **44,957** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2016** | **Closing balance 31.12.2016** |
|---|---|---|
| ***Write-down*** | **0** | **(129,999)** |

| *In thousands of Hungarian Forints (HUF)* | **Opening balance 01.01.2016** | **Closing balance 31.12.2016** |
|---|---|---|
| ***Total inventories at the lower of cost or net realizable value*** | **2,610,577** | **19,270,607** |

### Write-down revaluating the inventory:

The company internally assessed the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost amount. In view of the situation in the Hungarian and Polish property market in which the Group operates, during the year ended 31 December 2017 and 31 December 2016 the Group performed an inventory review with regard to its valuation to net realizable value based on the valuation report issued by the independent property valuation expert. As a result, during the years ended 31 December 2017 and 31 December 2016, the Group utilized write-down adjustment of HUF 129,999 thousand and made a write-down adjustment in the total amount of HUF 129,999 thousand respectively, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

# Notes to the Consolidated Financial Statements

## 14.(e) Inventory (cont'd)

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The valuation of inventory is as follows:

| **As at 31 December**<br>*In thousands of Hungarian Forints (HUF)* | **31.12.2017** | **31.12.2016** | **01.01.2016** |
|---|---|---|---|
| Net realizable value exceeding cost | 37,536,704 | 17,524,485 | 2,610,577 |
| Valued at net realizable value* | 0 | 1,746,122 | 0 |
| **Total inventory** | **37,536,704** | **19,270,607** | **2,610,577** |

*These inventories had to be impaired to net realizable value since their costs exceeded their net realizable value.

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 19.

Inventory is not pledged, not used to secure bank loans.

# Notes to the Consolidated Financial Statements

## 14.(f) Other assets

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| VAT receivables related customer advances | 1,505,296 | 335,773 | 0 |
| Advances and prepayments made for inventories | 277,809 | 207,000 | 0 |
| Advances and prepayments made for services | 2,272 | 724 | 0 |
| Other prepaid expenses | 497,104 | 181,672 | 1,800 |
| **Total closing balance** | **2,282,481** | **725,169** | **1 800** |
| **Closing balance includes:** | | | |
| Other long-term assets | 1,859,010 | 404,952 | 7 |
| Other short-term assets | 423,471 | 320,217 | 1,793 |
| **Total closing balance** | **2,282,481** | **725,169** | **1,800** |

Based on the Hungarian legislation, in case advances from customers, VAT[5] shall be paid by the Company upon receiving the advance from the customer. This amount is shown as other asset and it is deductible from the VAT payable upon invoicing the final invoice to the customer (i.e. upon handing over the finished apartments). Since finalizing the construction projects takes more than one year, the VAT related to project to completed after 31 December 2018 is classified as non-current. Balances presented as other assets are not a financial assets based on IAS 39.

## 14.(g) Assets/liabilities classified as held for sale

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Szigetcenter property | 0 | 6,138,970 | 0 |
| **Total assets classified as held for sale** | **0** | **6,138,970** | **0** |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Bank loans | 0 | 1,430,521 | 0 |
| **Total liabilities classified as held for sale** | **0** | **1,430,521** | **0** |

In 2016, the directors of Cordia Group decided to sell a shopping center which was located in Tököl with a total aggregate usable floor space of 24.533,61 m2. There was one interested party and the sale was expected to be completed before the end of 2017.

The property classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the property was

[5] generally VAT is 5% for these type of properties in Hungary

determined using the sales comparison approach by an independent property valuation expert. This is a level 2 measurement as per the fair value hierarchy set out in note 3(t) above. Based on the valuation report, at 31.12.2016 the market value of the investment property was THUF 6,280,000. Since the carrying value (THUF 6,138,970) of the investment property was lower, than the market value, therefore no impairment was recognized.
During the year ended 31 December 2016 the rental income from investment property amounted to HUF 435,622 thousand, respectively.
Finally the property was sold on 24.04.2017 for 23,000,000 EUR (THUF 7,213,689) to an unrelated third-party, so that there is not any assets held for sale occupied currently.
The transaction involved sale of a single real estate property and it was not considered to be a discontinued operation based on IFRS 5, therefore no separate disclosure in the income statement was required.

# Notes to the Consolidated Financial Statements

## 14.(h) Customer advances received

The table below presents the breakdown of customer advances received by projects:

| *In thousands of Hungarian Forints (HUF)* | **31.12.2017** | **31.12.2016** | **01.01.2016** |
|---|---|---|---|
| Villena | 1,694,189 | 1,168,817 | 169,998 |
| Cordia Development 1 Alap | 5,223,591 | 2,034,590 | 0 |
| Cordia Development 2 Alap | 3,342,709 | 1,819,197 | 0 |
| Cordia Global 1 Alap | 3,392,945 | 653,881 | 0 |
| Cordia Global 2 Alap | 4,006,884 | 933,313 | 0 |
| Cordia Global 3 Alap | 2,018,063 | 157,526 | 0 |
| Cordia Global 4 Alap | 1,915,267 | 84,075 | 0 |
| Cordia Global 5 Alap | 119,950 | 12,000 | 0 |
| Cordia Global 7 Alap | 2,212,259 | 0 | 0 |
| Cordia Global 8 Alap | 1,431,875 | 0 | 0 |
| Cordia Global 9 Alap | 117,173 | 0 | 0 |
| Cordia Ingatlanbefektetési Alap | 0 | 36,801 | 0 |
| Cordia Wroclaw I Sp. Z o.o. | 45,963 | 0 | 0 |
| Projekt Warszawa 1 Cordia Poland GP One | 7,065 | 0 | 0 |
| **Total closing balance** | **25,527,933** | **6,900,200** | **169,998** |

| | | | |
|---|---|---|---|
| **Closing balance includes:** | | | |
| Current liabilities | 20,190,907 | 0 | 0 |
| Non-current liabilities | 5,337,026 | 6,900,200 | 169,998 |
| **Total closing balance** | **25,527,933** | **6,900,200** | **169,998** |

## 14.(i) Other tax receivables

Other tax receivables contains each year the receivables coming from different non-income tax type of taxes. The majority is VAT, balances from other taxes are not material. Since the Companies paid significant input VAT for their purchases and currently output VAT is not significant, VAT related to customer advances is presented separately under the line of "other current assets", please refer also to Note 14(f).

## 14.(j) Other long-term liabilities

Other long-term liabilities include trade payables due after one year from the balance sheet date. It is highly common in the construction industry, that suppliers assume warranty for their work for a certain period of time. Based on the contracts, certain payments are due only after the expiration of the warranty period. The general warranty period is between 1-2 years, therefore the time value of the money is considered to be highly immaterial.

## 15. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument.

The group holds the following financial instruments:

### For the year ended 31 December 2017:

| *In thousands of Hungarian Forints (HUF)* | **Financial assets at FV through P/L** | **Loans and receivables** | **Total** |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Long-term receivables from related parties | 0 | 1,050,379 | 1,050,379 |
| Loans receivables from third parties | 0 | 11,493 | 11,493 |
| Restricted Cash | 0 | 5,483,415 | 5,483,415 |
| **Current financial assets** | | | |
| Securities | 30,119 | 0 | 30,119 |
| Restricted Cash | 0 | 2,720,115 | 2,720,115 |
| Short-term receivables from related parties | 0 | 1,807,482 | 1,807,482 |
| Trade and other receivables | 0 | 332,278 | 332,278 |
| Cash and cash equivalents | 0 | 9,971,253 | 9,971,253 |
| **Total financial assets** | **30,119** | **21,376,415** | **21,406,534** |

### For the year ended 31 December 2017

| *In thousands of Hungarian Forints (HUF)* | **Other financial liabilities** | **Total** |
|---|---|---|
| **Non-current financial liabilities** | | |
| Loans and borrowings | 5,746,281 | 5,746,281 |
| Long-term liabilities to related parties | 2,441,517 | 2,441,517 |
| **Current financial liabilities** | | |
| Trade and other payables | 2,837,287 | 2,837,287 |
| Loans and borrowings | 735,812 | 735,812 |
| Short-term liabilities to related parties | 3,284,215 | 3,284,215 |
| **Total financial liabilities** | **15,045,112** | **15,045,112** |

# Notes to the Consolidated Financial Statements

## 15. Financial assets and financial liabilities (cont'd)

### For the year ended 31 December 2016:

| *In thousands of Hungarian Forints (HUF)* | Financial assets at FV through P/L | Loans and receivables | Total |
|---|---|---|---|
| **Non-current financial assets** | | | |
| Long-term receivables from related parties | 0 | 69,478 | 69,478 |
| Restricted cash | 0 | 1,456,136 | 1,456,136 |
| Loans receivables from third parties | 0 | 16,696 | 16,696 |
| **Current financial assets** | | | |
| Securities | 29,054 | 0 | 29,054 |
| Liquid customer advance payments | 0 | 8,395 | 8,395 |
| Short-term receivables from related parties | 0 | 30,646 | 30,646 |
| Loans receivables | 0 | 21,087 | 21,087 |
| Trade and other receivables | 0 | 523,063 | 523,063 |
| Cash and cash equivalents | 0 | 5,766,747 | 5,766,747 |
| **Total financial assets** | **29,054** | **7,892,248** | **7,921,302** |

### For the year ended 31 December 2016

| *In thousands of Hungarian Forints (HUF)* | Other financial liabilities | Total |
|---|---|---|
| **Non-current financial liabilities** | | |
| Loans and borrowings | 4,030,087 | 4,030,087 |
| Long-term liabilities to related parties | 6,558,699 | 6,558,699 |
| **Current financial liabilities** | | |
| Trade and other payables | 1,423,368 | 1,423,368 |
| Loans and borrowings | 697,258 | 697,258 |
| Short-term liabilities to related parties | 13,708,569 | 13,708,569 |
| **Total financial liabilities** | **26,417,981** | **26,417,981** |

# Notes to the Consolidated Financial Statements

## 15. Financial assets and financial liabilities (cont'd)

### As at 1 January 2016:

| *In thousands of Hungarian Forints (HUF)* | Loans and receivables | Total |
|---|---|---|
| **Non-current financial assets** | | |
| Long-term receivables from related parties | 313,906 | 313,906 |
| Bank loan escrow | 173,662 | 173,662 |
| Loans receivables from third parties | 16,817 | 16,817 |
| **Current financial assets** | | |
| Short-term receivables from related parties | 50,964 | 50,964 |
| Loans receivables | 22,038 | 22,038 |
| Trade and other receivables | 219,480 | 219,480 |
| Cash and cash equivalents | 98,059 | 98,059 |
| **Total financial assets** | **894,926** | **894,926** |

### As at 1 January 2016:

| *In thousands of Hungarian Forints (HUF)* | Other financial liabilities | Total |
|---|---|---|
| **Non-current financial liabilities** | | |
| Loans and borrowings | 931,487 | 931,487 |
| Long-term liabilities to related parties | 2,014,778 | 2,014,778 |
| **Current financial liabilities** | | |
| Trade and other payables | 502,491 | 502,491 |
| Loans and borrowings | 29,823 | 29,823 |
| **Total financial liabilities** | **3,478,579** | **3,478,579** |

# Notes to the Consolidated Financial Statements

## 15.(a) Loans receivables

The table below presents the movement in loans granted to third parties:

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| **Opening balance** | **37,785** | **38,855** |
| Loans granted | 11,493 | 606 |
| Loans repaid | (37,783) | 0 |
| Other | 0 | (1,678) |
| **Total closing balance** | **11,493** | **37,783** |
| **Closing balance includes:** | | |
| Current assets | 0 | 21,087 |
| Non-current assets | 11,493 | 16,696 |
| **Total closing balance** | **11,493** | **37,783** |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 11,493 | 0 | 0 |
| EUR | 0 | 0 | 0 |
| PLN | 0 | 37,783 | 38,853 |
| **Total closing balance** | **11,493** | **37,783** | **38,853** |

## 15.(b) Receivables from related parties

The table below presents the breakdown of receivables from the related parties:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Trade receivables | 72,752 | 25,437 | 49,870 |
| Loan receivables | 2,678,363 | 68,072 | 313,906 |
| Accrued interest receivables | 4,938 | 0 | 1,013 |
| Accrued expenses | 44,370 | 0 | 0 |
| Accrued revenue | 46,877 | 0 | 0 |
| Other receivables | 10,561 | 6,615 | 81 |
| **Total closing balance** | **2,857,861** | **100,124** | **364,870** |
| **Closing balance includes:** | | | |
| Current assets | 1,807,482 | 30,646 | 50,964 |
| Non-current assets | 1,050,379 | 69,478 | 313,906 |
| **Total closing balance** | **2,857,861** | **100,124** | **364,870** |

The table below presents the movement in loans granted to related parties:

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| **Opening balance** | **68,072** | **313,906** |
| Loans granted (short-term) | 2,554,779 | 80,000 |
| Loans granted (long-term) | 1,050,379 | 0 |
| Loans repaid | (992,395) | (313,906) |
| Revaluation | (14,925) | 0 |
| Other | 12,453 | (11,928) |
| **Total closing balance** | **2,678,363** | **68,072** |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 140,859 | 81,846 | 0 |
| EUR | 1,399,397 | 0 | 314,919 |
| PLN | 1,317,605 | 18,278 | 49,951 |
| **Total closing balance** | **2,857,861** | **100,124** | **364,870** |

The table below presents the conditions of the most significant related party loan agreements:

**As of 31 December 2017**

| Counterparty | Balance | Maturity | Interest rate | Currency |
|---|---|---|---|---|
| Futureal Financing Pool Poland GP Sp. z o.o. (sister company) | 1 050 378 861,00 | 2022.12.31 | EURIBOR 3M + 3,2% | EUR |

There were no long-term loan receivables as of 31 December 2016 and 1 January 2016.

## 15.(c) Trade and other receivables

The table below presents the breakdown of trade and other receivables:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| **Gross trade receivables** | 26,133 | 279,872 | 4,004 |
| Decreased by impairment | 0 | (653) | 0 |
| **Net trade receivables** | **26,133** | **279,219** | **4,004** |
| Vendor overpayment | 143,490 | 961 | 0 |
| Accrued revenue | 153,191 | 45,000 | 0 |
| Other receivables | 9,464 | 197,883 | 215,476 |
| **Total trade and other receivables** | **332,278** | **523,063** | **219,480** |

### Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in different notes respectively.

### Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

The following tables presents the maturity of trade receivables:

| *In thousands of Hungarian Forints (HUF)* | | 01.01.2016 | |
|---|---|---|---|
| **Trade receivables** | | | |
| Overdue | Not | 2,150 | 53,69 % |
| | 1-30 days | 1,141 | 28,48 % |
| | 31-90 days | 173 | 4,32 % |
| | 91-364 days | 191 | 4,77 % |
| | 365+ day | 350 | 8,74 % |
| **Total closing balance** | | **4,005** | **100 %** |

## 15.(c) Trade and other receivables (cont'd)

| *In thousands of Hungarian Forints (HUF)* | | 31.12.2016 | |
|---|---|---|---|
| **Trade receivables** | | | |
| Overdue | Not | 74,843 | 26,74 % |
| | 1-30 days | 203,433 | 72,69 % |
| | 31-90 days | 16 | 0,01 % |
| | 91-364 days | 51 | 0,02 % |
| | 365+ day | 1,529 | 0,55 % |
| **Total closing balance** | | **279,872** | **100 %** |

| *In thousands of Hungarian Forints (HUF)* | | 31.12.2017 | |
|---|---|---|---|
| **Trade receivables** | | | |
| Overdue | Not | 5,100 | 19,52 % |
| | 1-30 days | 8,079 | 30,91 % |
| | 31-90 days | 2,503 | 9,58 % |
| | 91-364 days | 9,741 | 37,27 % |
| | 365+ day | 710 | 2,72 % |
| **Total closing balance** | | **26,133** | **100 %** |

| **As at 31 December**<br>*In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Opening | **653** | **0** | **0** |
| Impairment loss | 0 | 653 | 0 |
| Reversal of impairment | (653) | 0 | 0 |
| **Closing impairment balance** | **0** | **653** | **0** |

As at 31 December 2017 and 31 December 2016, the Group had no allowance for doubtful debts.
During the year ended 31 December 2016, the Group wrote down an amount of HUF 653 thousand, respectively as irrecoverable debts included in trade and other receivables. The receivables was settled in 2017 so the impairment has been reversed

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 300,136 | 476,401 | 0 |
| EUR | 304 | 758 | 0 |
| PLN | 31,838 | 45,904 | 219,480 |
| **Total closing balance** | **332,278** | **523,063** | **219,480** |

# Notes to the Consolidated Financial Statements

## 15.(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits freely available for the Group. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2017 and 31 December 2016, they earn interest at the respective short-term deposit rates.

| *In thousands of Hungarian Forints (HUF)* | **31.12.2017** | **31.12.2016** | **01.01.2016** |
|---|---|---|---|
| Cash at bank and in hand | 9,941,859 | 5,744,247 | 98,059 |
| Short-term deposit | 29,394 | 22,500 | 0 |
| **Total cash and cash equivalents** | **9,971,253** | **5,766,747** | **98,059** |

The total amount of cash and cash equivalents was denominated in the following currencies:

| *In thousands of Hungarian Forints (HUF)* | **31.12.2017** | **31.12.2016** | **01.01.2016** |
|---|---|---|---|
| EUR | 1,736,136 | 688,675 | 75,044 |
| USD | 102 | 116 | 0 |
| PLN | 1,037,033 | 193,798 | 23,014 |
| HUF | 7,197,753 | 4,884,158 | 1 |
| RON | 74 | 0 | 0 |
| ILS | 155 | 0 | 0 |
| **Total cash and cash equivalents** | **9,971,253** | **5,766,747** | **98,059** |

## 15.(d) Cash and cash equivalents (cont'd)

The Group held its funds in financial institutions presented below:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Cash at hand | 4,031 | 2,243 | 0 |
| Raiffeisen Bank | 593,351 | 1,940,897 | 0 |
| OTP | 1,465,430 | 0 | 0 |
| CIB | 4,562 | 511,070 | 0 |
| FHB | 196,654 | 1,390,679 | 0 |
| K&H | 5,512,268 | 1,630,113 | 0 |
| Commerz Bank | 1,970 | 86,627 | 0 |
| UniCredit | (1,181) | 0 | 0 |
| MKB | 300,834 | 6,861 | 0 |
| BZ WBK | 317,490 | 134,061 | 12,522 |
| mBank | 188,023 | 61,776 | 173 |
| Pekao SA | 90,261 | 0 | 85,364 |
| Pictet & Cie (Europe) S.A. | 1,271,554 | 0 | 0 |
| Sparkasse Malta | 26,006 | 2,420 | 0 |
| **Total cash and cash equivalents** | **9,971,253** | **5,766,747** | **98,059** |

The Group minimizes its credit risks by holding its funds in financial institutions with high credit ratings as follows*:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| A | 5,512,268 | 1,630,113 | 0 |
| A- | 1,970 | 86,627 | 0 |
| AA- | 1,271,554 | 0 | 0 |
| BBB+ | 870,454 | 2,002,673 | 85,537 |
| BBB | 648,892 | 654,412 | 12,522 |
| BBB- | 1,465,430 | 0 | 0 |
| BB+ | 196,654 | 1,390,679 | 0 |
| Cash at hand | 4,031 | 2,243 | 0 |
| **Total cash and cash equivalents** | **9,971,253** | **5,766,747** | **98,059** |

*The presented credit ratings are based on S&P's long-term ratings

For information about the fair value of cash and cash equivalents see Note 16.

There is no  pledge over cash and cash equivalents see.

# Notes to the Consolidated Financial Statements

## 15.(e) Loans and borrowings

The table below presents the movement in loans and borrowings from third parties:

| For the year ended 31 December<br>*In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| **Opening balance** | **4,727,345** | **931,487** |
| Acquisitions | 0 | 3,543,890 |
| New bank loan drawdown | 6,107,989 | 285,871 |
| Loan repayments | (4,475,639) | (123,722) |
| Other changing (FX, other correction) | 122,380 | 89,819 |
| **Total closing balance** | **6,482,075** | **4,727,345** |
| **Closing balance includes:** | | |
| Current liabilities | 735,812 | 697,258 |
| Non-current liabilities | 5,746,263 | 4,030,087 |
| **Total closing balance** | **6,482,075** | **4,727,345** |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 3,937,634 | 710,599 | 0 |
| EUR | 1,292,022 | 1,942,435 | 0 |
| PLN | 1,252,419 | 2,074,311 | 931,487 |
| **Total closing balance** | **6,482,075** | **4,727,345** | **931,487** |

### Conditions of significant loans and borrowings:

**Loans related to the Hungarian entities:**

**As of 31 December 2017**

| Company | Bank | Loan currency | Maturity | Interest % | 31.12.2017 Withdrawn | 31.12.2017 Not withdrawn | Real estate property mortgage | Covenant breached? |
|---|---|---|---|---|---|---|---|---|
| Cordia Development 1 Fund | FHB | HUF | 2019.09.19 | 1 month BUBOR + margin | 261 422 825 | 1 617 460 527 | Yes | NO |
| Cordia Development 1 Fund | FHB | HUF | | | - | 100 000 000 | | |
| Cordia Development 2 Fund | FHB | HUF | 2019.09.19 | 1 month BUBOR + margin | 1 169 141 781 | 967 676 435 | Yes | NO |
| Cordia Development 2 Fund | FHB | HUF | | | 4 496 170 | 95 503 830 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cordia Development 2 Fund | FHB | HUF | 2020.10.08 | 1 month BUBOR + margin | - | 5 620 000 000 | Yes | NO |
| Cordia Development 2 Fund | FHB | HUF | | | - | 100 000 000 | | |
| Cordia Global 2 Fund | OTP | HUF | 2019.08.31 | 1 month BUBOR + margin | 1 883 393 546 | 2 451 985 454 | Yes | NO |
| Cordia Global 2 Fund | OTP | HUF | | | 44 858 161 | 155 141 839 | | |
| Cordia Global 3 Fund | FHB | HUF | 2019.12.21 | 1 month BUBOR + margin | 260 481 527 | 1 358 057 230 | Yes | NO |
| Cordia Global 3 Fund | FHB | HUF | | | 40 753 101 | 59 246 899 | | |
| Cordia Global 3 Fund | FHB | HUF | 2019.12.21 | 1 month BUBOR + margin | 305 341 384 | 3 846 650 027 | Yes | NO |
| Cordia Global 3 Fund | FHB | HUF | | | 54 000 | 99 946 000 | | |
| Cordia Global 4 Fund | UniCredit | HUF | 2020.05.29 | 1 month BUBOR + margin | - | 4 424 000 000 | Yes | NO |
| Cordia Global 4 Fund | UniCredit | HUF | | | - | 284 000 000 | | |
| Cordia Global 8 Fund | OTP | HUF | 2020.03.30 | 1 month BUBOR + margin | - | 5 700 000 000 | Yes | NO |
| Cordia Global 8 Fund | OTP | HUF | | | - | 200 000 000 | | |

**As of 31 December 2016**

| Company | Bank | Loan currency | Maturity | Interest % | 31.12.2016 | | Real estate property mortgage | Covenant breached? |
|---|---|---|---|---|---|---|---|---|
| | | | | | Withdrawn | Not withdrawn | | |
| Cordia Development 1 Fund | FHB | HUF | 2019.09.19 | 1 month BUBOR + margin | 261 422 825 | 3 938 691 525 | Yes | NO |
| Cordia Development 1 Fund | FHB | HUF | | | 1 135 116 | 98 864 884 | | |
| Cordia Development 2 Fund | FHB | HUF | 2019.09.19 | 1 month BUBOR + margin | - | 3 372 429 667 | Yes | NO |
| Cordia Development 2 Fund | FHB | HUF | | | 704 022 | 99 295 978 | | |
| Cordia Development 2 Fund | FHB | HUF | 2020.10.08 | 1 month BUBOR + margin | - | 5 620 000 000 | Yes | NO |
| Cordia Development 2 Fund | FHB | HUF | | | - | 100 000 000 | | |
| Cordia Global 2 Fund | OTP | HUF | 2019.08.31 | 1 month BUBOR + margin | - | 4 335 379 000 | Yes | NO |
| Cordia Global 2 Fund | OTP | HUF | | | - | 200 000 000 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cordia Global 3 Fund | FHB | HUF | 2019.12.21 | 1 month BUBOR + margin | - | 2 600 000 000 | Yes | NO |
| Cordia Global 3 Fund | FHB | HUF | | | - | 100 000 000 | | |
| Cordia Global 3 Fund | FHB | HUF | 2019.12.21 | 1 month BUBOR + margin | - | 4 730 000 000 | Yes | NO |
| Cordia Global 3 Fund | FHB | HUF | | | - | 100 000 000 | | |
| Cordia Global 4 Fund | UniCredit | HUF | 2020.05.29 | 1 month BUBOR + margin | - | 4 424 000 000 | Yes | NO |
| Cordia Global 4 Fund | UniCredit | HUF | | | - | 284 000 000 | | |
| Cordia Global 8 Fund | OTP | HUF | 2020.03.30 | 1 month BUBOR + margin | - | 5 700 000 000 | Yes | NO |
| Cordia Global 8 Fund | OTP | HUF | | | - | 200 000 000 | | |

As of 1 January 2016, there were no Hungarian entities in the Group.

**Loans related to the Polish entities:**

**As of 31 December 2017**

| **Company** | **Bank** | **Currency** | **Withdrawn** | **Maturity** | **Interest rate** | **Collateral on property?** | **Covenant breached?** |
|---|---|---|---|---|---|---|---|
| Villena Sp. z o.o. | Santander Bank Polska S.A. | PLN | 1 184 050 | 2019.12.31 | WIBOR 1M + margin | Yes | No |
| Cordia Supernova Sp. z o.o. | Alior Bank S.A. | PLN | 36 498 | 2020-04-30 for construction facility ; 2019-12-31 for VAT loan | WIBOR 3M + margin | Yes | No |
| Projekt Warszawa 1 Cordia Poland GP One Sp. z o.o. Sp. k. | Santander Bank Polska S.A. | PLN | 0 | 2020-12-19 for Phase I Tranche; 2022-06-19 for Phase II Tranche; 2020-12-19 for VAT loan; 2022-06-19 for VAT loan if Phase II Tranche is paid out | WIBOR 1M + margin | Yes | No |

**As of 31 December 2016**

| **Company** | **Bank** | **Currency** | **Withdrawn** | **Maturity** | **Interest rate** | **Collateral on property?** | **Covenant breached?** |
|---|---|---|---|---|---|---|---|
| Villena Sp. z o.o. | Santander Bank Polska S.A. | PLN | 2 219 201,62 | 2019.12.31 | WIBOR 1M + margin | Yes | No |

**As of 1 January 2016**

| Company | Bank | Currency | Withdrawn | Maturity | Interest rate | Collateral on property? | Covenant breached? |
|---|---|---|---|---|---|---|---|
| Villena Sp. z o.o. | Santander Bank Polska S.A. | PLN | 990 848,00 | 2019.12.31 | WIBOR 1M + margin | Yes | No |

## 15.(f) Liabilities to related parties

The table below presents the breakdown of liabilities to the related parties:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Trade payables | 141,674 | 555,486 | 29,823 |
| Loan | 5,236,325 | 17,318,565 | 2,014,778 |
| Accrued expenses payables | 347,077 | 779,585 | 0 |
| Other liabilities | 673 | 1,613,632 | 0 |
| **Total closing balance** | **5,725,749** | **20,267,268** | **2,044,601** |
| **Closing balance includes:** | | | |
| Current assets | 3,450,854 | 13,708,569 | 29,823 |
| Non-current assets | 2,274,895 | 6,558,699 | 2,014,778 |
| **Total closing balance** | **5,725,749** | **20,267,268** | **2,044,601** |

The table below presents the movement in loans and borrowings:

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| **Opening balance** | **17,318,565** | **2,014,778** |
| Acquisitions | 0 | 1,919,031 |
| New loan drawdown | 2,441,517 | 18,063,294 |
| Loan repayments | (14,635,759) | (4,567,461) |
| Other changing (revaluation, other correction) | 112,002 | (111,077) |
| **Total closing balance** | **5,236,325** | **17,318,565** |

The tables below present the most important conditions of the significant related party loans of the Group:

| 31 Dec 2017 | Counterparty | Balance (in thHUF) | Maturity | Interest rate | Currency |
|---|---|---|---|---|---|
| Cordia International Zrt. | Futureal Development Holding Kft | 2 877 861 | On demand | interest free | EUR |
| Cordia Wroclaw I Sp. Z o.o.-ban | Futureal Financing Pool Vagyonkezelő Kft | 187 934 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Cordia Zyrardów Sp.z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 45 990 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Futureal Management Poland Sp. Z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 173 454 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Cordia Project Holding Cordia Poland GP One Spk. | Futureal Financing Pool Vagyonkezelő Kft | 730 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Projekt Warszawa 1 Cordia Poland GP One Spólka z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 99 900 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Projekt Warszawa 3 Cordia Poland GP One Spólka z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 1 114 761 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Projekt Warszawa 4 Cordia Poland GP One Spólka z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 730 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Projekt Kraków 1 Cordia Poland GP One Spólka z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 621 939 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |

| 31 Dec 2016 | Counterparty | Balance (in thHUF) | Maturity | Interest rate | Currency |
|---|---|---|---|---|---|
| Cordia Lands Ltd | Futureal Development Holding Kft | 6 618 387 | On demand | interest free | EUR |
| Cordia Lands Ltd | Futureal Real Estate Holding Ltd | 3 770 058 | 4 July 2016 + 180 days | interest free | EUR |
| Cordia Lands Ltd | Cordiahomes Holding Ltd | 371 315 | 4 July 2016 + 180 days | interest free | EUR |
| Cordia International Zrt. | Futureal Development Holding Kft | 417 416 | On demand | interest free | EUR |
| Cordia New Ages Kft. | Futureal Development Holding Kft | 941 835 | On demand | interest free | EUR |
| Villena Sp. z o.o. | Futureal Financing Pool Vagyonkezelő Kft | 1 819 794 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Cordia Wroclaw I Sp. Z o.o.-ban | Futureal Financing Pool Vagyonkezelő Kft | 908 502 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| CORDIA Polska SP. Z.o.o.. | Futureal Financing Pool Vagyonkezelő Kft | 1 996 213 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Cordia Zyrardów Sp.z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 323 058 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Futureal Management Poland Sp. Z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 151 882 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |

| 1 January 2016 | Counterparty | Balance (in thHUF) | Maturity | Interest rate | Currency |
|---|---|---|---|---|---|
| Villena Sp. z o.o. | Futureal Financing Pool Vagyonkezelő Kft | 1 755 695 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Cordia Wroclaw I Sp. Z o.o. | Futureal Financing Pool Vagyonkezelő Kft | 79 968 | 2020.12.31, 2021.12.31 | 1 M WIBOR + 3%/annum | PLN |
| Cordia Zyrardów Sp.z.o.o. | Futureal Financing Pool Vagyonkezelő Kft | 155 770 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |
| Cordia Polska Sp. z o.o. | Futureal Financing Pool Vagyonkezelő Kft | 23 344 | 2020.12.31, 2021.12.31 | 3 M EURIBOR + 3%/annum | EUR |

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 385,613 | 1,329,370 | 0 |
| EUR | 3,314,872 | 16,209,602 | 265,014 |
| PLN | 2,025,264 | 2,728,296 | 1,779,587 |
| **Total closing balance** | **5,725,749** | **20,267,268** | **2,044,601** |

# Notes to the Consolidated Financial Statements

## 15.(g) Trade and other payables

The table below presents the breakdown of trade and other payables:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Trade payables | 2,517,382 | 968,343 | 232,984 |
| Accrued expenses | 229,901 | 126,676 | 241,785 |
| Other payables | 201,735 | 328,349 | 27,722 |
| **Closing balance** | **2,949,018** | **1,423,368** | **502,491** |

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| HUF | 1,517,875 | 994,552 | 134 |
| EUR | 67,990 | 110,249 | 246,133 |
| PLN | 1,363,153 | 318,567 | 256,224 |
| **Total closing balance** | **2,949,018** | **1,423,368** | **502,491** |

# Notes to the Consolidated Financial Statements

## 16. Shareholders' equity

### 16.(a) Share capital

The parent company's share capital is EUR 30,000,000 (9,252,912 thousands HUF) consisting of ordinary shares with nominal value of EUR 1 in the number of 30,000,000. All shares are fully paid. Ordinary shares provide the rights to the holders on a pro-rata basis.

| | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | **Nominal value of shares (thHUF)** | **Ownership percentage** | **Nominal value of shares (thHUF)** | **Ownership percentage** |
| Futureal Property Group Ingatlanforgalmazó Kft. | 37,322 | 0.40% | 37,322 | 100.00% |
| Sparks Limited | 5,773,623 | 62.40% | 0 | 0.00% |
| FutInvest Hungary Kft. | 2,886,811 | 31.20% | 0 | 0.00% |
| Futureal Real Estate Holding Ltd. | 555,156 | 6.00% | 0 | 0.00% |
| **Total** | **9,252,912** | **100.00%** | **37,322** | **100.00%** |

### 16.(b) Non-controlling interests

Movements in non-controlling interests during the year ended 31 December 2017 and 31 December 2016 are as follows:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Opening balance** | 53,446 | 0 |
| Comprehensive income/(loss) attributable to non-controlling interests | (54,807) | (7,311) |
| Non-controlling interest arising on acquisition | 8,428,379 | 60,757 |
| Redemption of shares owned by non-controlling interest | (847,258) | 0 |
| **Closing balance** | **7,579,760** | **53,446** |

Please refer also to Note 2(g) about detailed description of entities with non-controlling interest.

# Notes to the Consolidated Financial Statements

## 16. Shareholders' equity (cont'd)

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| **31.12.2016** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Current assets | 2,802,991 | n/a | n/a |
| Current liabilities | (695,934) | n/a | n/a |
| Current net assets | 2,107,057 | n/a | n/a |
| Non-current assets | 11,150 | n/a | n/a |
| Non-current liabilities | (2,384,881) | n/a | n/a |
| Non-current net assets | (2,373,731) | n/a | n/a |
| Net assets | (266,674) | n/a | n/a |
| Accumulated NCI | 53,446 | n/a | n/a |

| **2016** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Revenue | 0 | n/a | n/a |
| Profit for period | (282,763) | n/a | n/a |
| Other comprehensive income | 0 | n/a | n/a |
| Total comprehensive income | (282,763) | n/a | n/a |
| Profit allocated to NCI | (7,311) | n/a | n/a |
| Dividends paid to NCI | 0 | n/a | n/a |

| **2016** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Cash flow from operating activities | (2,715,785) | n/a | n/a |
| Cash flow from investing activities | 0 | n/a | n/a |
| Cash flow from financing activities | 2,721,170 | n/a | n/a |
| Net change in cash and equivalents | 5,385 | n/a | n/a |

# Notes to the Consolidated Financial Statements

## 16. Shareholders' equity (cont'd)

| **31.12.2017** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Current assets | 2,618,594 | 87,798 | 1,271,554 |
| Current liabilities | (2,447,816) | (3,756) | 0 |
| Current net assets | 170,778 | 84,042 | 1,271,554 |
| Non-current assets | 31,319 | 0 | 10,551,257 |
| Non-current liabilities | (645,645) | 0 | 0 |
| Non-current net assets | (614,326) | 0 | 10,551,257 |
| Net assets | (443,548) | 84,042 | 11,822,811 |
| Accumulated NCI | 36,335 | 74,970 | 7,468,455 |

| **2017** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Revenue | 979,409 | 0 | 1,864,872 |
| Profit for period | (176,874) | (8,194) | 1,822,511 |
| Other comprehensive income | 0 | 0 | 0 |
| Total comprehensive income | (176,874) | (8,194) | 1,822,511 |
| Profit allocated to NCI | (17,111) | (6,150) | (31,546) |
| Dividends paid to NCI | 0 | 0 | 0 |

| **2017** *In thousands of Hungarian Forints (HUF)* | **Sasad Resort 2 kft.** | **Cordia Global 10 fund** | **Finext Funds SICAV** |
|---|---|---|---|
| Cash flow from operating activities | 943,389 | (4,810) | 42,061 |
| Cash flow from investing activities | 0 | 0 | 8,686,385 |
| Cash flow from financing activities | (649,311) | 92,236 | (10,000,000) |
| Net change in cash and equivalents | 294,078 | 87,426 | (1,271,554) |

# Notes to the Consolidated Financial Statements

## 16. Shareholders' equity (cont'd)

### 16.(c) Share premium

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Opening balance** | 0 | 0 |
| Proceeds from capital increase | 592,166 | 0 |
| **Closing balance** | **592,166** | **0** |

Increase in share premium is coming from the capital increase made by the owners upon merger made as of 20 September 2017. Company issued 18,720,000 shares with nominal value of 1 EUR to Sparks Limited for EUR 20,000,000. The difference between the issue price and nominal value (1,280,000 EUR) was recorded in capital reserve. Company also issued 9,360,000 shares with nominal value of 1 EUR to FutInvest Hungary Kft. for EUR 10,000,000. The difference between the issue price and nominal value (640,000 EUR) was recorded in capital reserve. The capital increase was exchanged to HUF on 308.42 HUF/EUR rate.

### 16.(d) Other reserves

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Opening balance** | 36,074 | 3,460 |
| Other capital contribution | (225,513) | 32,614 |
| **Closing balance** | **(189,439)** | **36,074** |

As described previously, in 2016 the Group acquired Cordia Ingatlanbefektetési Alap. The purchase price paid was different to the fair value of the net assets of the fund. Since this was an asset acquisition (please refer also to section 2(g)) made between under entities common control, assets and liabilities were recognized at their fair values at acquisition and the difference arising was recognized under other reserves. This decreases other reserves with an amount of 181,897 for 31 December 2017 and 2016 as well.

The remaining amount (7,542 THUF) in other reserves as of 31 December 2017 comes from the reserve arising on the merger made as of 20 September 2017.

The balance of 31 December 2016 also included the difference arising on the recognition non-interest bearing long-term loans from related parties. This increases the balance of other reserves in 2016 with 217,971 THUF. This has been reversed in 2017 since all the related party loans have been converted to on-demand loans, where the lender has the right to ask for repayment of the loan. Please see also Note 15(f) about related party liabilities.

# Notes to the Consolidated Financial Statements

## 16. Shareholders' equity (cont'd)

### 16.(e) Retained earnings

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Opening balance** | 1,281,960 | (175,424) |
| Profit of the year | 1,967,057 | 1,457,384 |
| Reclassification made upon legal merger | (554,848) | 0 |
| Pre-acquisition retained earnings of transferred entity | 1,066,586 | 0 |
| Transaction with non-controlling interest | 7,102 | 0 |
| Other equity contribution | 774 | 0 |
| **Closing balance** | **3,768,631** | **1,281,960** |

The legal merger has a significant impact on the balance of retained earnings as of 20 September 2017. The owners decided to increase the share capital with THUF 554,848 with reclassification from retained earnings. The change in the share capital was registered by the Court as of 20 September 2017. The net assets transferred upon the merger increase the retained earnings by the THUF 1,066,586. Please see also Note 2(g) from more details about the transaction.

# Notes to the Consolidated Financial Statements

## 17. Fair value estimation of financial assets and liabilities

The solely financial asset that is measured at fair value through profit or loss in the consolidated financial statements is an other investment, that is not material in neither reporting period (the fair value of the listed investment is HUF 30,118 thousands in 2017 and HUF 29,054 thousands in 2016 respectively). All other financial assets and liabilities are measured at amortized cost. The investment property related fair value information is stated in note 14(b). Furthermore, there are no non-financial assets or liabilities that are measured at fair value. The fair value of the financial assets and liabilities measured at amortized cost approximates their carrying value, as they are loans and receivables either with variable interest rate (e.g. in case of borrowings) or short-term receivables and liabilities, where the time value of money is not material (e.g. in case of related party loans).

## 18. Commitments and contingencies

### Investment commitments:

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Cordia Development 1 Alap | 1,319,738 | 2,932,756 | 0 |
| Cordia Development 2 Alap | 1,242,899 | 2,687,711 | 0 |
| Cordia Globál 1 Alap | 1,015,032 | 633,273 | 0 |
| Cordia Globál 2 Alap | 2,665,287 | 4,041,810 | 0 |
| Cordia Globál 3 Alap | 1,299,951 | 2,288,956 | 0 |
| Cordia Globál 4 Alap | 2,468,391 | 1,068,232 | 0 |
| Cordia Globál 5 Alap | 3,320,982 | 0 | 0 |
| Cordia Globál 7 Alap | 1,456,965 | 0 | 0 |
| Cordia Globál 8 Alap | 1,755,810 | 0 | 0 |
| Cordia Wroclaw I Sp. Z o.o | 1,831,591 | 0 | 0 |
| Projekt Warszawa 1 | 2,015,917 | 0 | 0 |
| Villena Sp. z o.o. | 317,974 | 2,035,970 | 3,892,854 |
| **Closing balance** | **20,710,537** | **15,688,708** | **3,892,854** |

# Notes to the Consolidated Financial Statements

## 18. Commitments and contingencies (cont'd)

### Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company:

| *In thousands of Hungarian Forints (HUF)* | **31.12.2017** | **31.12.2016** | **01.01.2016** |
|---|---|---|---|
| Cordia Development 1 Alap | 1,617,461 | 5,083,905 | 5,345,000 |
| Cordia Development 2 Alap | 967,676 | 4,709,296 | 0 |
| Cordia Development 2 Alap | 5,620,000 | 0 | 0 |
| Villena Sp. z o.o. | 1,140,761 | 2,879,684 | 4,900,684 |
| Projekt Warszawa 1 | 5,903,815 | 0 | 0 |
| Cordia Globál 2 Alap | 2,451,985 | 0 | 0 |
| Cordia Globál 3 Alap | 1,928,057 | 2,600,000 | 2,600,000 |
| Cordia Globál 3 Alap | 3,846,650 | 0 | 0 |
| Cordia Wroclaw I Sp. Z o.o | 2,909,375 | 0 | 0 |
| **Closing balance** | **26,385,780** | **15,272,885** | **12,845,684** |

### Operating lease commitments:

The table below presents the operating lease fee payable by the Group for the non-cancellable lease-term as of 31 December 2017:

| *In thousands of Hungarian Forints (HUF)* | **Within 1 year** | **Between 1 and 3 years** | **After 3 years** | **Total** |
|---|---|---|---|---|
| Office lease | 162,423 | 328,432 | 960,317 | **1,451,172** |
| Car lease | 17,635 | 28,907 | 0 | **46,272** |

The table below presents the operating lease fee payable by the Group for the non-cancellable lease-term as of 31 December 2016:

| *In thousands of Hungarian Forints (HUF)* | **Within 1 year** | **Between 1 and 3 years** | **After 3 years** | **Total** |
|---|---|---|---|---|
| Office lease | 26,746 | 468,985 | 981,156 | **1,476,887** |
| Car lease | 9,656 | 15,422 | 2,223 | **27,301** |

# Notes to the Consolidated Financial Statements

The table below presents the operating lease fee payable by the Group for the non-cancellable lease-term as of 31 December 2016:

| *In thousands of Hungarian Forints (HUF)* | Within 1 year | Between 1 and 3 years | After 3 years | Total |
|---|---|---|---|---|
| Office lease | 25,908 | 51,816 | 40,490 | **118,214** |
| Car lease | 9,680 | 15,784 | 11,516 | **36,980** |

### Contingent liabilities:

In a sales agreement the company made a commitment to renting of all available spaces. If Cordia breaches the contract, the company will be obliged to make amends for it in amount of THUF 70,645. The Group's Management is not aware of any other contingent liability.

### Contingent receivables - contracted sales not yet recognized:

The table below presents amounts to be received from the customers having bought apartments from Cordia and its subsidiary companies and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2017 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as customer advances):

| *In thousands of Hungarian Forints (HUF)* | 31.12.2017 | 31.12.2016 | 01.01.2016 |
|---|---|---|---|
| Cordia Development 1 Alap | 5,703,938 | 4,658,074 | 0 |
| Cordia Globál 2 Alap | 5,455,356 | 2,763,950 | 0 |
| Cordia Globál 6 Alap | 556,735 | 0 | 0 |
| Cordia Globál 5 Alap | 1,581,931 | 430,642 | 0 |
| Cordia Globál 1 Alap | 2,368,055 | 2,084,399 | 0 |
| Cordia Globál 7 Alap | 6,517,014 | 4,328,094 | 0 |
| Cordia Globál 4 Alap | 3,476,382 | 1,050,259 | 0 |
| Cordia Globál 8 Alap | 4,274,060 | 0 | 0 |
| Cordia Development 2 Alap | 5,286,089 | 3,335,503 | 0 |
| Cordia Development 2 Alap | 1,721,740 | 0 | 0 |
| Cordia Globál 3 Alap | 3,054,459 | 1,678,724 | 0 |
| Cordia Globál 3 Alap | 2,616,532 | 0 | 0 |
| **Closing balance** | **42,612,291** | **20,329,645** | **0** |

# Notes to the Consolidated Financial Statements

## 19. Related parties

### Parent company

Please refer to Note 15(f) about loan received from the parent company. Besides this, there were no transactions with the parent company.

For a list of subsidiaries reference is made to Note 1(b).

### The main related parties' transactions arise on:

#### (a) Property plant and equipment

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Sister company | 201,299 | 143,330 |
| **Closing balance** | **201,299** | **143,330** |

Property, plant and equipment from related parties are mainly purchasing of office equipment.

#### (b) Semi-finished products and work in progress

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Sister company | 1,760,249 | 480,150 |
| **Closing balance** | **1,760,249** | **480,150** |

Semi-finished products and work in progress from related parties are mainly land plot and related costs, predevelopment works, technical project management fee and design cost.

# Notes to the Consolidated Financial Statements

## 19. Related parties (cont'd)

### (c) Other balances

Please refer to Note 15 for detailed description about balances with related parties.

### (d) Sales revenue

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Sister company | 3,994,739 | 2,973,493 |
| **Closing balance** | **3,994,739** | **2,973,493** |

Sales revenue from related parties is mainly coming from administration, marketing and management fee. Furthermore, the sales revenue contains a land plot assignor fee and its related costs in the amount of 2,274,858 THUF (2,973,493 THUF in 2016) and a sale of casino property in the amount of 1,132,000 THUF (0 THUF in 2016).

### (e) Services rendered

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Sister company | 894,995 | 947,612 |
| **Closing balance** | **894,995** | **947,612** |

Services rendered from related parties are mainly utilities and rental costs, shared service center costs, recharged development costs, marketing and sales costs.

### (f) Other

| *In thousands of Hungarian Forints (HUF)* | 2017 | 2016 |
|---|---|---|
| Sister company | 46,535 | 0 |
| **Closing balance** | **46,535** | **0** |

The row contains interest income.

# Notes to the Consolidated Financial Statements

## 19. Related parties (cont'd)

### Transactions with key management personnel

There was no transaction with key management personnel.

### Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel that were granted during 2017. Key management personnel compensation can be presented as follows:

| **As at 31 December**<br>*In thousands of Hungarian Forints (HUF)* | **2017** | **2016** |
|---|---|---|
| Salary and other short time benefit | 65 788 | 0 |
| Incentive plan linked to financial results | 111 731 | 0 |
| **Total** | **177 519** | **0** |

### Loans to directors

As at 31 December 2017 and 31 December 2016, there were no loans granted to directors.

# Notes to the Consolidated Financial Statements

## 20. Financial risk management, objectives and policies

Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.
The primary objectives of the financial risk management program are to minimize the potential negative effect of the unexpected changes on financial markets on the Group financial activities.

Risk management is carried out by a central treasury department (Group Treasury). Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

### (a) Market risk

### (i) Foreign exchange risk

The Group operates in foreign currencies too and therefore is exposed to foreign exchange risk, primarily with respect to Euro and Polish Zloty. Foreign exchange risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency

The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as residential sales revenue) are denominated. This is generally achieved by obtaining loan finance in the relevant currency.

The functional currency of the Company is the Hungarian forint and its subsidiaries have different functional currencies depending on the place of activity. The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. At 31 December 2017 if the Hungarian forint weakened/strengthened by 5% against the euro the post-tax profit for the year would have been 304.262 THUF higher (31 December 2016: 164.463 THUF, 1 January 2016: 1.153 THUF), which caused mainly by the exchange gain on trade payables and loans denominated in HUF.

### (ii) Price risk

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property sales price risk.

The current sales price levels are in line with the market environments of the properties.

### (iii) Cash flow and fair value interest rate risks

The Group's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially covered by the variable rate cash and cash equivalents. The Group has borrowings at fixed rates and therefore has exposure to fair value interest rate risk.
The Group's individual development loans financing the projects have and average duration of less than two years, therefore the interest rate changes on these loans would not have material effect on the Group's result.

# Notes to the Consolidated Financial Statements

## 20. Financial risk management, objectives and policies (cont'd)

Taking into consideration the current market environment the management expects no interest rate decrease, so only the effect of interest rate increase is shown in the following table:

| *Interest rate increase:* | **Yearly effect on profit before tax (THUF)** |
|---|---|
| 0,5 percentage point | 83,186 |

Please also refer to Note 15(b), 15(e) and 15(f) for the main conditions of the loan agreements.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, trade receivables and loan receivables. Credit is not material in case of cash, since it is held at major international banks. Trade receivables are not material. Loans are only granted for companies under common control and they are guaranteed by the parent company or the ultimate owner. Based on this, credit is considered to be minimal for the Group.

### (c) Liquidity risk

The cash flow forecast is prepared by the operating units of the Group. The forecasts are summarized by the Group's finance department. The finance department monitors the rolling forecasts on the Group's required liquidity position in order to provide the necessary cash balance for the daily operation. The Group aims to maintain flexibility in funding by keeping committed credit lines available not to overdraw the credit lines and to meet the credit covenants. These forecasts take into consideration the Group's financial plans, the contracts' covenants, the key performance indicators and the legal environment.

| | **As at 31 December 2017** | |
|---|---|---|
| *In thousands of Hungarian Forints (HUF)* | **Less than 1 year** | **Between 1 and 5 years** |
| Loans and borrowings | 1,107,984 | 6,701,012 |
| Trade and other payables | 2,949,018 | 651,154 |
| Liabilities to related parties | 3,450,854 | 2,302,646 |
| **Total** | **7,507,856** | **9,654,812** |

| | **As at 31 December 2016** | |
|---|---|---|
| *In thousands of Hungarian Forints (HUF)* | **Less than 1 year** | **Between 1 and 5 years** |
| Loans and borrowings | 697,258 | 4,030,087 |
| Trade and other payables | 1,423,368 | 195,721 |
| Liabilities to related parties | 13,708,569 | 6,558,699 |
| **Total** | **15,829,195** | **10,784,507** |

# Notes to the Consolidated Financial Statements

**Cordia Global Subfund 8:**

The Fund signed a project construction facility loan with OTP bank in an amount of 5.700.000.000 HUF, the maturity of the loan is March 30th, 2020. The first withdrawal in an amount of 1.300.000.000 HUF has been done.

**Cordia New Times Kft:**

The Group purchased 100% of Cordia New Times Kft. from Futureal Development Holding Ingatlanforgalmazó Kft and Swages Real Estate II, LLC for a purchase price of 3.000.000 HUF.

As per the registration by the Court of Registry on September 24, 2018 Cordia International sold 30% of its shareholding to CFM Projekt Ingatlanforgalmazó és Ingatlanfejlesztő Kft.

**Cordia Romania Holding One Kft:**

The Group set up two new holding companies for Romanian activities Cordia Romania Holding One Kft and Cordia Romania Holding Two Kft,

Cordia Romania Holding One Kft established the following companies with 99% shareholding ratio:
- Cordia Dante Project SRL,
- Cordia Project Development SPV2 SRL,
- Cordia Project Services SPV3 SRL,
- Cordia Corarilor Development SRL
- and the Cordia Navigatorilor Project SRL.

Cordia Romania Holding Two has 1% shareholding in the following companies:
- Cordia Dante Project SRL-t,
- Cordia Project Development SPV2 SRL-t,
- Cordia Project Services SPV3 SRL-t,
- Cordia Corarilor Development SRL-t
- and the Cordia Navigatorilor Project SRL-t.

**Villena Sp. z o.o.:**

On 29.03.2018 the company obtained occupancy permit for the 2nd phase of the Cordia Cystersów Garden project in Cracow, Poland.

**Cordia Project Holding Cordia Poland GP One Spk.:**

On 28.03.2018 the Company purchased plots located at Rogozińskiego St. in Cracow, Poland and signed preliminary sale agreement for the purchase of 990/9640 share in plots 110/23, 115/73 and 115/37 located at Rogozińskiego St. in Cracow, Poland.
On 06.07.2018 the Company purchased 990/9640 share in plots 110/23, 115/73 and 115/37 located at Rogozińskiego St. in Cracow, Poland.

**Projekt Warszawa 4 Cordia Poland GP One Spólka z.o.o.:**

On 04.04.2018 the company purchased a plot located on Jaśkowa Dolina St. in Gdańsk, Poland.