

AROUNDTOWN PROPERTY HOLDINGS PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

AROUNDTOWN PROPERTY HOLDINGS PLC

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For the year ended 31 December 2016

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AROUNDTOWN PROPERTY HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Jelena Afxentiou Elena Koushos Reshef Ishgur Andrew Wallis (Appointed on 18 November 2016) Oschrie Massatschi (Appointed on 18 November 2016) Markus Leininger (Appointed on 22 February 2017)
Secretary	KKLAW Secretarial Limited
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors P.O.Box 40075 6300 Larnaca Cyprus
Legal Advisors	Jung & Schleicher Rechtsanwälte Koushos & Korfiotis Papacharalambous LLC
Bankers	Bank Julius Baer & Co. Ltd. Credit Suisse AG
Registered Office	54B Artemidos & Nikou Dimitriou Scanner Avenue Tower, 4th Floor 6027 Larnaca Cyprus
Registration number	HE148223

AROUNDTOWN PROPERTY HOLDINGS PLC**DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the financial statements of Aroundtown Property Holdings Plc (the "Company") for the year ended 31 December 2016, on the basis of our knowledge, declare that:

(a) The annual financial statements of the Company which are presented on pages 8 to 37:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Company and the entities included in the financial statements as a whole and

b) The Board of Directors' report provides a fair view of the developments and the performance as well as the financial position of the Company as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Jelena Afxentiou

Elena Koushos

Reshef Ishgur

Andrew Wallis

Oschrie Massatschi

Markus Leininger

Responsible for drafting the financial statements

Jelena Afxentiou

Larnaca, 7 March 2017

AROUNDTOWN PROPERTY HOLDINGS PLC

BOARD OF DIRECTORS' REPORT

The Board of Directors of Aroundtown Property Holdings Plc (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE COMPANY

The principal activities of the Company are the holding of investments, financing and re-financing activities, the provision of consultancy services and the trading of financial instruments.

FINANCIAL RESULTS

The Company's financial results for the year ended 31 December 2016 are set out on page 8 to the financial statements. The net loss for the year attributable to the shareholders of the Company amounted to €10.573 thousand (2015: €6.834 thousand profit).

REVENUE

The Company's revenue for the year ended 31 December 2016 was €54.573 thousand (2015: €34.689 thousand).

DIVIDENDS

On 18 November 2016, the Company in General Meeting declared the payment of a final dividend of €34.490 thousand from profits of years ended 31 December 2013 and 31 December 2014(2015: €NIL).

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 19 to the financial statements.

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Company in the foreseeable future.

SHARE CAPITAL

Authorised capital

There were no changes in the authorised share capital of the Company during the year.

Issued capital

During the year, the Company increased its issued share capital from €6.001.416 divided into 600.141.641 shares of €0,01 each to €6.762.685 divided into 676.268.473 shares of €0,01 by issuing 76.621.044 new ordinary shares of €0,01 each, of which 65.000.000 shares were issued at a premium of €4,09.

AROUNDTOWN PROPERTY HOLDINGS PLC**BOARD OF DIRECTORS' REPORT****IMPLEMENTATION AND COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE**

On 4 June 2015, the Company had its shares listed in the Paris stock exchange. The Company recognises the importance of implementing sound corporate governance policies, practices and procedures. As a company listed on the Paris Stock Exchange (EPA), Aroundtown Property Holdings Plc has adopted EPA's Corporate Governance Code and applies its principles.

BRANCHES

During the year ended 31 December 2016 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1. During the year ended 31 December 2016, Mr. Andrew Wallis and Mr. Oschrie Massatschi were appointed directors of the Company. In addition, on 22 February 2017, Mr. Markus Leininger was appointed director of the Company.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in note 23 to the financial statements.

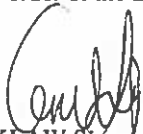
RELATED PARTY TRANSACTIONS

Disclosed in note 16 to the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,


KKLAW Secretarial Limited
Secretary

Larnaca, 7 March 2017



KPMG Limited
Chartered Accountants
Millenium Lion House
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P.O. Box 40075, 6300 Larnaca, Cyprus
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Independent Auditor's Report

To the Members of Arountown Property Holdings Plc

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of parent company Arountown Property Holdings Plc (the "Company"), which are presented in pages 10 to 37 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the assessment of bonds' covenants, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 as amended from time to time ('the Companies Law, Cap 113').

Basis for Qualified Opinion

We were unable to perform any work on the covenants compliance since the covenants are based on the consolidated figures and the management will only be able to provide us with their assessment when the consolidation is finalized.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board Members

NG Syrimis, A.K. Christofides, P.G. Loizou, A.M. Gregoriades, A.A. Demetriou,
D.S. Vakis, A.A. Apostolou, S.A. Loizides, M.A. Loizides, S.G. Sofocleous,
M.M. Antoniadou, C.V. Vasiliou, P.E. Antoniadou, M.J. Halios, M.P. Michael,
P.A. Peleties, G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shiammoutis,
G.N. Tziortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos, M.G. Gregoriades,
H.A. Kakoullis, G.P. Seva, C.A. Kalias, C.N. Kallis, M.H. Zavrou, P.S. Elia,
M.G. Lazarou, Z.E. Hadjizacharias, P.S. Theophanous, M.A. Karantoni, C.A. Markides,
G.V. Andreou, J.C. Nicolaou, G.S. Prodromou, A.S. Sofocleous, G.N. Syrimis, T.J. Yiasemides

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Key Audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Convertible bonds (2016: €682.280 thousand, 2015: €709.742 thousand)

See *Note 13* to the financial statements.

The key audit matter

The Company has significant holding of convertible bonds. We have identified the valuation of and the accounting treatment for convertible bonds as key audit matters because both are complex areas. The separation of the debt element from the equity element of a convertible bond can involve a significant degree of management judgment and is subject to an inherent risk of error.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- We inspected Board minutes and other appropriate documentation of authorization to assess whether the transactions were appropriately authorized.
- We verified to the supporting documentation, debt agreement, prospectuses or to third party statements and examined terms and conditions to the amount of the bonds.
- We tested the calculations carried out to split the convertible bonds in equity and debt element. In this context we also assessed the valuation report from external experts engaged by the Company to identify the value of equity used in the aforementioned calculation. In this exercise we included our KPMG specialists.

Other Information

Board of Directors is responsible for the other information. The other information comprises the Board of Directors' Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except that the scope of our work was limited by the matter discussed in the basis for qualified opinion paragraph.
- In our opinion, proper books, of account have been kept by the Company, so far as appears from our examination of these books, except in the case of covenants discussed in the basis for qualified opinion paragraph.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements, give the information required by the Cyprus Companies Law, Cap 113, in the manner so required, except in the case of covenants discussed in the basis for qualified opinion paragraph.
- In our opinion, the Board of Directors report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Directors report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to. This opinion refers to the individual financial statements of the Company. As stated in note 2 to the financial statements, the consolidated financial statements are currently in the process of preparation and a separate audit report will be issued on these consolidated financial statements.

The engagement partner on the audit resulting in this independent auditors' report is Panicos Antoniades.



Panicos Antoniades, FCCA
Certified Public Accountant and Registered Auditor
For and on behalf of
KPMG Ltd
Certified Public Accountants and Registered Auditors

Larnaca

7 March 2017

AROUNDTOWN PROPERTY HOLDINGS PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Revenue	4	54.573	34.689
Administrative and operating expenses		(4.905)	(7.211)*
Operating profit	5	<u>49.668</u>	<u>27.478</u>
Net finance expenses	6	<u>(60.241)</u>	<u>(20.644)*</u>
(Loss)/profit before tax		(10.573)	6.834
Tax	7	-	-
(Loss)/profit for the year		<u>(10.573)</u>	<u>6.834</u>
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		<u>(10.573)</u>	<u>6.834</u>

(*) Reclassified

The notes on pages 15 to 37 are an integral part of these financial statements.

AROWNTOWN PROPERTY HOLDINGS PLC

STATEMENT OF FINANCIAL POSITIONAs at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Non-current assets			
Plant and equipment		57	56
Intangible assets		7	7
Investments in subsidiaries	8	162	162
Trade and other receivables	10	2.689	12.547
Non-current loans receivable	9	2.272.213	1.341.330
Total non-current assets		<u>2.275.128</u>	<u>1.354.102</u>
Current assets			
Trade and other receivables	10	1.499	-
Financial assets at fair value through profit or loss	11	29.801	34.006
Cash and cash equivalents		308.188	4.739
Total current assets		<u>339.488</u>	<u>38.745</u>
Total assets		<u>2.614.616</u>	<u>1.392.847</u>

The notes on pages 15 to 37 are an integral part of these financial statements.

AROUNDTOWN PROPERTY HOLDINGS PLC


STATEMENT OF FINANCIAL POSITION *(continued)*


As at 31 December 2016

	Note	2016 €'000	2015 €'000
Equity			
Share capital	12	6.763	6.001
Share premium		612.932	314.234
Capital reserve		20.282	18.513
Retained earnings		<u>73.460</u>	<u>118.523</u>
Total equity		<u>713.437</u>	<u>457.271</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	13	<u>1.894.075</u>	<u>932.122</u>
Total non-current liabilities		<u>1.894.075</u>	<u>932.122</u>
Current liabilities			
Loans and borrowings - short term	13	4.032	2.892
Trade and other payables	14	1.504	555
Tax liability	15	<u>1.568</u>	<u>7</u>
Total current liabilities		<u>7.104</u>	<u>3.454</u>
Total liabilities		<u>1.901.179</u>	<u>935.576</u>
Total equity and liabilities		<u>2.614.616</u>	<u>1.392.847</u>

On 7 March 2017 the Board of Directors of Aroundtown Property Holdings Plc approved and authorised these financial statements for issue.


.....
Jelena Afxentiou
Director


.....
Elena Koushos
Director


.....
Reshef Ishgur
Director

The notes on pages 15 to 37 are an integral part of these financial statements.

AROUNDTOWN PROPERTY HOLDINGS PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital €'000	Share premium €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2015		38	-	7.416	111.689	119.143
Profit for the year		-	-	-	6.834	6.834
Issue of share capital	12	5.963	314.234	-	-	320.197
Equity component related to convertible bonds		-	-	11.097	-	11.097
Balance at 31 December 2015		<u>6.001</u>	<u>314.234</u>	<u>18.513</u>	<u>118.523</u>	<u>457.271</u>
Balance at 1 January 2016		6.001	314.234	18.513	118.523	457.271
Loss for the year		-	-	-	(10.573)	(10.533)
Issue of share capital	12	762	298.698	(340)	-	299.120
Dividend distribution		-	-	-	(34.490)	(34.490)
Equity settled share based payment		-	-	2.109	-	2.109
Balance at 31 December 2016		<u>6.763</u>	<u>612.932</u>	<u>20.282</u>	<u>73.460</u>	<u>713.437</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 15 to 37 are an integral part of these financial statements.

AROWNTOWN PROPERTY HOLDINGS PLC

STATEMENT OF CASH FLOWSFor the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Cash flows from operating activities			
(Loss)/profit for the year		(10,573)	6,834
Adjustments for:			
Depreciation of plant and equipment		34	18
Unrealised foreign exchange loss/(profit)		4,685	(21)
Amortisation of trademarks and licences		4	4
Fair value gains on financial assets at fair value through profit or loss		(418)	(12,461)
Dividend income		(5,293)	(1,032)
Interest (income)/expense-Net		(47,358)	3,718
Interest and other financial expenses-Bonds		44,495	15,055
Equity settled share based payments		423	-
Cash (used in)/generated from operations before working capital changes		(14,001)	12,115
Decrease/(increase) in receivables		8,359	(6,283)
Increase/(decrease) in trade and other payables		949	(423)
Cash (used in)/generated from operations		(4,693)	5,409
Dividends received		5,293	1,032
Net cash (used in)/generated from operating activities		600	6,441
Cash flows from investing activities			
Payment for acquisition of intangible assets		(6)	(1)
Payment for acquisition of plant and equipment		(33)	(19)
Proceeds from sale of investments in subsidiary undertakings		-	39
Net cash generated from investing activities		(39)	19
Cash flows from financing activities			
Proceeds from issue of share capital		299,120	319,730
Proceeds from borrowings/ (loans granted), net		74,303	(297,259)
Interest and other financial expenses paid		(36,047)	(25,543)
Dividends paid		(34,490)	-
Net cash generated from/(used in) financing activities		302,887	(3,072)
Net increase in cash and cash equivalents		303,448	3,388
Cash and cash equivalents at beginning of the year		4,739	1,351
Cash and cash equivalents at end of the year		308,187	4,739

The notes on pages 15 to 37 are an integral part of these financial statements.

AROWNTOWN PROPERTY HOLDINGS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Aroundtown Property Holdings Plc (the "Company") was incorporated in Cyprus on 07 May 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 54B Artemidos & Nikou Dimitriou, Scanner Avenue Tower, 4th Floor, 6027 Larnaca, Cyprus.

The principal activities of the Company are the holding of investments, financing and re-financing activities, the provision of consultancy services and the trading of financial instruments.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has prepared these parent's financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The Company will also prepare consolidated financial statements in accordance with IFRSs as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (the "Group").

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except in the case of land, buildings and equipment, leases, and investments, which are measured at their fair value.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**2. BASIS OF PREPARATION** *(continued)***(d) Use of estimates and judgments**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Income taxes

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

Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

AROUNDTOWN PROPERTY HOLDINGS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

2. BASIS OF PREPARATION *(continued)***(e) Functional and presentation currency**

The financial statements are presented in Euro (€'000) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where 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.

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Revenue recognition

- *Rendering of services*
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- *Dividend income and fair value gain from investments*
Dividend income is recognised when the right to receive payment is established. Financial assets and financial liabilities are recognised when the Company becomes a party to a contractual provisions of the instrument.
- *Interest income*
Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance expenses

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Foreign currency translation

(i) Functional currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Tax

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Renovations	10
Furniture, fixtures and office equipment	7-15
Computer hardware	33

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*Financial instruments (continued)

Expenditure for repairs and maintenance of plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets*(i) Patents and trademarks*

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The annual depreciation rates used for the current and comparative periods are

(ii) Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses. The annual depreciation rates used for the current and comparative periods are

(iii) Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) *Loans granted*

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(ii) *Investments*

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- *Loans and receivables*

Investments with fixed or determinable payments that are not quoted in an active market and are not classified as financial assets at fair value through profit or loss or as financial assets available-for-sale.

Recognition and measurement:

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. For financial assets at fair value through profit or loss the directly attributable transaction costs are recognised in profit or loss as incurred.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 20163. **SIGNIFICANT ACCOUNTING POLICIES** (continued)Financial instruments (continued)(ii) *Investments* (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

(iii) *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and bank overdrafts.

(iv) *Borrowings*

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derecognition of financial assets and liabilities*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. REVENUE

	2016 €'000	2015 €'000
Rendering of services	1.429	-
Dividend income and profit/ (loss) from investments	5.786	13.210
Interest income, net	<u>47.358</u>	<u>21.479</u>
	<u>54.573</u>	<u>34.689</u>

5. OPERATING PROFIT

	2016 €'000	2015 €'000
Operating profit is stated after charging the following items:		
Amortisation of trademarks and licences	4	4
Depreciation of plant and equipment	34	18
Staff costs	693	148
Independent auditors' remuneration	<u>5</u>	<u>5</u>

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. NET FINANCE EXPENSES

	2016 €'000	2015 €'000
Fair value and foreign exchange adjustments and other financial costs	30,570	5,589
Interest expense	29,671	15,055
	<u>60,241</u>	<u>20,644</u>

7. TAXATION

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	2016 €'000	2015 €'000
Accounting (loss)/profit before tax	<u>(10,573)</u>	<u>6,834</u>
Tax calculated at the applicable tax rates	(1,322)	854
Tax effect of expenses not deductible for tax purposes	707	665
Tax effect of allowances and income not subject to tax	(728)	(1,649)
Tax effect of loss for the for the year	<u>1,343</u>	<u>130</u>
Tax as per statement of profit or loss and other comprehensive income - charge	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. INVESTMENTS IN SUBSIDIARIES

	2016 €'000	2015 €'000
Balance at 1 January	162	201
Disposals	-	(39)
Balance at 31 December	<u>162</u>	<u>162</u>

The details of the main subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2016 Holding %	2015 Holding %
Alfortia Ltd	Cyprus	Holding company	100	100
Edolaxia Ltd	Cyprus	Holding company	100	100
Camelbay Ltd	Cyprus	Holding company	100	100
Bluestyle Ltd	Cyprus	Holding company	100	100
ATF Netherlands B.V.	Netherlands	Holding company/ financing	100	-

During 2016, the Company acquired 100% of the share capital of eight companies.

Aroundtown Property Holdings PLC, as at 31 December 2016, holds directly and indirectly approximately 35% (2015:35%) and 95% (2015:78%) of Grand City Properties S.A. and Primecity Investments Ltd respectively.

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**9. LOANS RECEIVABLE**

	2016 €'000	2015 €'000
Balance at 1 January	1,341,330	460,520
New loans granted	877,469	855,613
Interest charged	<u>53,414</u>	<u>25,197</u>
Balance at 31 December	<u>2,272,213</u>	<u>1,341,330</u>
	2016 €'000	2015 €'000
Loans to own subsidiaries and related companies	<u>2,272,213</u>	<u>1,341,330</u>
	<u>2,272,213</u>	<u>1,341,330</u>

The loans are repayable as follows:

	2016 €'000	2015 €'000
Between one and five years	108,365	208,180
After five years	<u>2,163,888</u>	<u>1,133,150</u>
	<u>2,272,213</u>	<u>1,341,330</u>

The terms and conditions of the loans receivable are as follows:

Borrower	Facility €'000	Rate (%)	Maturity
Subsidiaries and related companies	2,139,373	1,75-10,00	31 December 2019 - 31 December 2024

The exposure of the Company to credit risk is reported in note 19 to the financial statements.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**10. TRADE AND OTHER RECEIVABLES**

	2016 €'000	2015 €'000
Receivables from own subsidiaries	1.524	62
Receivables from other related parties	680	12.366
Accrued income	113	-
Other receivables	1.867	118
Refundable VAT	4	1
	<u>4.188</u>	<u>12.547</u>
Non-current portion	2.689	12.547
Current portion	<u>1.499</u>	-
	<u>4.188</u>	<u>12.547</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 €'000	2015 €'000
Balance at 1 January	34.006	21.493
Additions	-	385
Change in fair value and foreign exchange differences	<u>(4.205)</u>	<u>12.128</u>
Balance at 31 December	<u>29.801</u>	<u>34.006</u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

The exposure of the Company to market risk in relation to financial assets is reported in note 19 to the financial statements.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016

12. EQUITY

A. Share capital

	2016	2016	2015	2015
	Number of shares	€'000	Number of shares	€'000
Authorised				
Ordinary shares of €0,01 each	<u>1,500,000,000</u>	<u>15,000</u>	<u>1,500,000,000</u>	<u>15,000</u>
Issued and fully paid				
Balance at 1 January	600,141,641	6,001	22,200	37,962
Subdivision of shares	-	-	3,774,000	-
Issue of shares	<u>76,126,832</u>	<u>762</u>	<u>596,345,441</u>	<u>(31,961)</u>
Balance at 31 December	<u>676,268,473</u>	<u>6,763</u>	<u>600,141,641</u>	<u>6,001</u>

Authorised capital

There were no changes in the authorised share capital of the Company during the year.

Issued capital

During the year, the Company increased its issued share capital from €6,001,416 divided into 600,141,641 shares of €0,01 each to €6,762,685 divided into 676,268,473 shares of €0,01 by issuing 76,126,832 new ordinary shares of €0,01 each, of which 65,000,000 shares were issued at a premium of €4,09.

B. Dividends

	2016	2015
	€'000	€'000
Final dividend paid	<u>34,490</u>	-
	<u>34,490</u>	-

On 18 November 2016, the Company in General Meeting declared the payment of a final dividend of €34,490 thousand from profits of years ended 31 December 2013 and 31 December 2014 (2015: €NIL thousand).

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. EQUITY (Continued)

C. Share based payment agreement

Description of share-based payment arrangements

Incentive Share plan

The annual general meeting has approved to authorize the board of Directors to issue up to five million shares for an incentive plan for the board of directors, key management and senior employee's. The incentive plan has several years of vesting period with specific milestones to enhance management long term commitment to the Company strategic targets. Main strategic targets are long term improvement in operational and financial targets such as Like for Like vacancy reduction and like-for-like rent increase, operational efficiency, increase in adjusted EBIDTA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating.

13. LOANS AND BORROWINGS

	2016 €'000	2015 €'000
Balance at 1 January	935.014	351.616
Additions	927.614	529.063
Interest charge	<u>35.479</u>	<u>54.335</u>
Balance at 31 December	<u>1.898.107</u>	<u>935.014</u>
	2016 €'000	2015 €'000
Non-current liabilities		
Non-convertible bonds series A (1)	37.449	187.923
Convertible bond series B and C (2) (3)	678.320	707.500
Loans from subsidiaries and related companies (note 16 (vi))	<u>1.178.306</u>	<u>36.699</u>
	<u>1.894.075</u>	<u>932.122</u>
Current liabilities		
Bank overdrafts	-	288
Accrued interest on convertible bonds	3.960	2.242
Accrued interest on non-convertible bonds	<u>72</u>	<u>362</u>
	<u>4.032</u>	<u>2.892</u>
Total	<u>1.898.107</u>	<u>935.014</u>

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. LOANS AND BORROWINGS (Continued)

Maturity of borrowings:

	2016 €'000	2015 €'000
Within one year	4.032	2.604
After one year	<u>1.894.075</u>	<u>932.122</u>
	<u>1.898.107</u>	<u>934.726</u>

Lender	Facility €000	Rate (%)	Maturity
Subsidiaries and related companies	1.140.591	1,5% - 7,80%	31 December 2019 - 2024

(1) Non-convertible bond series A

On December 9, 2014, the Company has successfully completed with the placement of euro 161 million (nominal value) of unsubordinated, senior secured straight bonds maturing in December 2021 and bear a coupon of 3% p.a., payable semi-annually in arrears, for a consideration that reflects 94% of their principal amount.

At the beginning of 2015, the Company increased its series A bonds in an additional principal amount of euro 39 million for a price of 94% of the nominal value. Therefore the aggregated amount was euro 200 million principal amount.

During the year the Company bought EUR 160 million nominal value of its series A bonds which has been cancelled from trading.

On October 21, the Company has reached over 80% holding of the principal amount of EUR 200 million 3,00% Bonds due 2021 (Series A Bonds), and therefore the Company is entitled to redeem the Series A Bonds pursuant to section 5,2(b) of the Terms and Conditions of the Series A Bonds.

	2016 €000	2015 €000
Balance at the beginning of the year	188.284	150.813
Proceeds during the year	-	36.660
Issuance costs	(302)	(868)
Net proceeds during the year	<u>187.982</u>	<u>35.792</u>
Expenses for the year	7.257	7.679
Expenses paid	(3.594)	(6.000)
Cancellation of nominal amounts	<u>(154.124)</u>	-
Carrying amount at the year end	<u>37.521</u>	<u>188.284</u>
Non-current portion	37.449	187.923
Accrued interest	72	361
Total straight bond series A	<u><u>37.521</u></u>	<u><u>188.284</u></u>

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**13. LOANS AND BORROWINGS** *(Continued)***(2) Convertible Bond series B**

On May 5, 2015, the Company has successfully completed with the placement of euro 450 million senior, unsecured convertible bonds convertible into new ordinary shares having a par value of euro 0.01 per share. The bonds were placed by the Company to institutional investor only, with a coupon of 3% p.a., maturity of five years, at an issue price of 95.68% of their principal amount, and will be redeemed at maturity at par. The initial conversion price was set at euro 3.53 per share. Due to Capital increase on July 2015 as well as Dividend distribution on December 2016, the conversion price adjusted from 3.53 to 3.4395 and then to 3.3763 respectively.

During the reporting period, a total amount of euro 38,2 million of Convertible bonds were converted to shares. According to the convertible bond's terms, a total of 11.106.261 shares were issued.

	2016	2015
	€000	€000
Balance at the beginning of the year	427.988	-
Proceeds from issuance of convertible bonds	-	430.560
Transaction costs	(287)	(3.330)
Net proceeds during the year	427.701	427.230
Amount classified as an equity reserve	-	(4.029)
Expenses for the year	17.642	11.999
Expenses paid	(13.026)	(6.750)
Conversion to ordinary shares	(36.360)	(462)
Carrying amount of liability at the end of the year	<u>395.957</u>	<u>427.988</u>
Non-current portion of convertible bond	394.048	425.914
Accrued interest	1.909	2.074
Total convertible bonds B	<u><u>395.957</u></u>	<u><u>427.988</u></u>

(3) Convertible bond series C

On December 15, 2015, the Company has successfully completed with the placement of euro 300 million senior, unsecured convertible bonds convertible into new ordinary shares having a par value of euro 0,01 per share. The bonds were placed by the Company to institutional investors, with a coupon of 1,5% p.a. payable semi-annually in arrear, a maturity of approximately five years, at an issue price of 97,05% of their principal amount, and will be redeemed at maturity at par value. The initial conversion price was set at euro 5,79 per share. Due to the dividend distribution occurred in December 2016 (see also note 12b), the conversion price was adjusted to euro 5,6862 per share.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. LOANS AND BORROWINGS (Continued)

	2016 €000	2015 €000
Balance at the beginning of the year	281.745	-
Proceeds from issuance of convertible bonds	-	291.150
Transaction costs	(902)	(2.609)
Net proceeds during the year	280.843	288.541
Amount classified as an equity reserve	-	(7.076)
Expenses for the year	8.106	280
Expenses paid	(2.626)	-
Carrying amount of liability at the end of the year	286.323	281.745
Non-current portion of Convertible bond	284.279	281.585
Accrued interest	2.044	160
Total convertible bond C	286.323	281.745

D. Straight bonds Series D and E

On May 3, 2016 and on July 15, 2016, the Company has successfully completed with the placement of euro 600 million and euro 500 million (nominal values) of straight bonds D and E ("the Bonds"), maturing in May 2022 and July 2024, respectively, and bear a coupon of 1.5% p.a. (each), payable annually in arrears. Each placement was priced for consideration that reflected 95.542% and 95.312% of bonds D and E's principal amount, respectively.

On November 1, 2016, due to a substitution agreement between the Company and ATF Netherlands B.V. (its fully owned subsidiary), pursuant to which the latter shall be the primary debtor of the Bonds while the Company grants an unconditional and irrevocable guarantee of ATF's obligations under the Bonds.

	Straight Bond D	Straight Bond E
Proceeds during the period	573.252	476.560
Issuance costs	(5.177)	(5.594)
Net proceeds during the period	568.075	470.966
Expenses for the period	6.936	3.212
Carrying amount at the period end	575.011	474.178
Non-current portion	570.523	471.938
Accrued interest	4.488	2.240
Total straight bonds on November 1, 2016	575.011	474.178
Substituted fully to ATF Netherlands B.V.	(575.011)	(474.178)
Total straight bonds on December 31, 2016	-	-

(1) MAIN SECURITY, PLEDGE AND NEGATIVE PLEDGE AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

The obligations of the Company under the Bonds and any Further Secured Bonds are secured in favor of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. LOANS AND BORROWINGS *(Continued)*

(a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Camelbay;

(b) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Camelbay for payment of principal and interest under, the loan agreements between the Company and Camelbay in an aggregate principal amount equal to the net issuance proceeds of the Bonds and

(c) a first-ranking account pledge governed by Luxembourg law, over the Interest Reserve Account.

(2) MAIN COVENANTS AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

•The Company will, up to and including the Final Discharge Date, procure that Net Debt shall not exceed: (a) at any time, 55% of the Portfolio Value; and (b) 50% of the Portfolio Value for a period of more than Six (6) months.

• The Company will:

(a) up to and including the Final Security Discharge Date, not pay any dividend unless the Net Assets of the Company are higher than euro 400.000.000 and provided that any such dividend shall be payable only out of available profits on the basis of audited consolidated financial statements of the Company prepared in accordance with IFRS;(b) up to and including the Final Discharge Date, not, and will not permit any Subsidiary (excluding any listed Entity) (the "Restricted Subsidiaries") to, directly or indirectly, create or permit to exist or become effective any consensual and encumbrance or restriction on the ability of any of the Restricted Subsidiaries to (a) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Restricted Subsidiaries or grant to the Company or any of the Company's Restricted Subsidiaries any other interest or participation in itself; or (b) pay any indebtedness owed to the Company or any of the Company's other Restricted Subsidiaries; or (c) make loans or advances to the Company or any of the Company's other Restricted Subsidiaries; or (d) transfer any of its properties or assets to the Company or any of the Company's other Restricted Subsidiaries.

• up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1,86.

(3) OTHER PLEDGE

In addition to the pledge above, as of December 31, 2016, out of the Company's total holding in GCP S.A. 19,5 million of GCP S.A.'s shares are used as security for several credit lines.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 19 to the financial statements.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. TRADE AND OTHER PAYABLES

	2016 €'000	2015 €'000
Accruals	18	22
Other creditors	945	530
Payables to own subsidiaries	121	-
Payables to related companies	<u>420</u>	<u>3</u>
	<u>1,504</u>	<u>555</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 19 to the financial statements.

15. TAX LIABILITY

	2016 €'000	2015 €'000
Corporation tax	7	7
Special contribution to the defence fund	<u>1,561</u>	<u>-</u>
	<u>1,568</u>	<u>7</u>

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

16. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) Receivables from group companies (note 10)

	2016 €'000	2015 €'000
Subsidiary companies	<u>1,524</u>	<u>62</u>
	<u>1,524</u>	<u>62</u>

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**16. RELATED PARTY TRANSACTIONS (continued)****(ii) Receivables from related companies (note 10)**

	2016 €'000	2015 €'000
Related companies	<u>680</u>	<u>12,366</u>
	<u>680</u>	<u>12,366</u>

(iii) Loans to related entities (note 9)

	2016 €'000	2015 €'000
Subsidiary and related companies	<u>2,272,213</u>	<u>1,341,330</u>
	<u>2,272,213</u>	<u>1,341,330</u>

The terms and conditions of the loans are set out on Note 9.

(iv) Payables to group companies (note 14)

	2016 €'000	2015 €'000
Subsidiary company	<u>121</u>	<u>-</u>
	<u>121</u>	<u>-</u>

(v) Payables to related companies (note 14)

	2016 €'000	2015 €'000
Related companies	<u>420</u>	<u>3</u>
	<u>420</u>	<u>3</u>

(vi) Loans from related entities (note 13)

	2016 €'000	2015 €'000
Subsidiary and related companies	<u>1,178,306</u>	<u>36,699</u>
	<u>1,178,306</u>	<u>36,699</u>

The terms and conditions of the loans are set out on Note 13.

AROWNTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL

The companies holding more than 5% of the share capital as at 31 December 2016 and 23 February 2017 (5 days before the date of approval of the financial statements by the Board of Directors) were as follows:

	31 December 2016 %	23 February 2017 %
Gabrillet Limited	13,3	13,3
Anasto Investments Limited – 100% subsidiary of Gabrillet Ltd	7,2	7,2
Xasterolia Ltd	35,7	35,7

18. SIGNIFICANT AGREEMENTS WITH MANAGEMENT

At the end of the year, no significant agreements existed between the Company and its management other than the management incentive program, explained in note 12c.

19. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

A. Financial risk management

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in note 10.

AROUNDTOWN PROPERTY HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2016**19. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT** *(Continued)*

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Board of Directors.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the GBP and the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(iv) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

AROUNDTOWN PROPERTY HOLDINGS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2016

20. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

21. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2016.

22. COMMITMENTS

The Company had no significant commitments other than described in notes 12(c) and 13 as at 31 December 2016.

23. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

AROWNTOWN PROPERTY HOLDINGS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2016

ADDITIONAL INFORMATION

AROWDTOWN PROPERTY HOLDINGS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2016

ADDITIONAL INFORMATION

	Schedule
Income statement	1
Administration and other operating expenses	2
Finance expenses	3
Computation of wear and tear allowances	4
Computation of corporate tax	5
Certificate	6

AROUNDTOWN PROPERTY HOLDINGS PLCINCOME STATEMENTFor the year ended 31 December 2016

		2016 €'000	2015 €'000
	Schedule		
Revenue		54.573	34.689
Administrative and other operating expenses	2	<u>(4.905)</u>	<u>(7.211)</u>
Operating profit		<u>49.668</u>	<u>27.478</u>
Net finance expenses	3	<u>(60.241)</u>	<u>(20.644)</u>
(Loss)/profit before tax		<u>(10.573)</u>	<u>6.834</u>
(Loss)/profit for the year		<u>(10.573)</u>	<u>6.834</u>

AROUNDTOWN PROPERTY HOLDINGS PLC

ADMINISTRATIVE AND OTHER OPERATING EXPENSESFor the year ended 31 December 2016

Staff salaries	672	134
Social insurance etc.	21	14
Rent	16	4
Electricity	3	1
Insurance	4	2
Repairs and maintenance	2	1
Sundry expenses	2	4
Telephone and postage	23	9
Courier expenses	3	1
Stationery and printing	9	3
Subscriptions and contributions	13	-
Computer software	2	2
Independent auditors' remuneration	5	5
Accounting fees	-	1
Legal fees	10	72
Other professional fees	3,593	6,655
Registered office fees	-	1
Revenue stamps	44	50
Overseas travelling	204	23
Travelling	8	4
Irrecoverable VAT	117	156
Advertising	89	47
Share issue expenses	27	-
Amortisation of trademarks and licences	4	4
Depreciation	34	18
	<u>4,905</u>	<u>7,211</u>
1		

AROUNDTOWN PROPERTY HOLDINGS PLC

FINANCE EXPENSES

For the year ended 31 December 2016

	Schedule	
	2016 €'000	2015 €'000
Finance expenses		
Interest expense		
Bond interest	29.671	15.055
Sundry finance expenses		
Other finance expenses	25.838	5.480
Net foreign exchange transaction losses		
Other financial expenses	47	84
Unrealised foreign exchange loss	<u>4.685</u>	<u>25</u>
	<u>60.241</u>	<u>20.644</u>
Net finance expenses	1 <u>(60.241)</u>	<u>(20.644)</u>

AROUNDTOWN PROPERTY HOLDINGS PLC

COMPUTATION OF WEAR AND TEAR ALLOWANCES

For the year ended 31 December 2016

Year	%	COST			ANNUAL ALLOWANCES			Net value 31/12/2016 €'000		
		Balance 1/1/2016 €'000	Additions for the year €'000	Disposals for the year €'000	Balance 31/12/2016 €'000	Charge for the year €'000	On disposals €'000		Balance 31/12/2016 €'000	
2007	10	47	-	-	47	38	5	43	4	
		47	-	-	47	38	5	43	4	
Renovations										
2008	20	44	-	-	44	39	5	44	-	
2009	20	23	-	-	23	20	3	23	-	
2012	20	3	-	-	3	2	1	3	-	
2014	20	4	-	-	4	2	1	3	1	
2005	20	10	-	-	10	10	-	10	-	
2012	20	4	-	-	4	3	1	4	-	
2015	20	11	-	-	11	2	2	4	7	
2016	20	-	27	-	27	-	5	5	22	
		99	27	-	126	78	18	96	30	
Furniture, fixtures and office equipment										
2010	33	28	-	-	28	28	-	28	-	
2012	33	2	-	-	2	2	-	2	-	
2015	33	8	-	-	8	3	3	6	2	
2016	33	-	5	-	5	-	2	2	3	
		38	5	-	43	33	5	38	5	
		184	32	-	216	149	28	177	39	
Total tangible assets										
Computer hardware										
2010	33	8	-	-	8	8	-	8	-	
2013	100	2	-	-	2	2	-	2	-	
Computer software										
2010	33	8	-	-	8	8	-	8	-	
2013	100	2	-	-	2	2	-	2	-	

AROUNDTOWN PROPERTY HOLDINGS PLC

COMPUTATION OF CORPORATE TAXFor the year ended 31 December 2016

		€'000	€'000
Net loss before tax per income statement	Schedule 1		(10.573)
<u>Add:</u>			
Depreciation and amortisation		38	
Unrealised foreign exchange loss		4.685	
Disallowed interest		63	
Expenses for increase of shares		450	
Stamp duty		44	
Professional fees non-allowed		362	
Donations		3	
Legalisation fees		7	
		<u>7</u>	<u>5.652</u>
			(4.921)
<u>Less:</u>			
Annual wear and tear allowances	4	38	
Fair value gains on financial assets at fair value through profit or loss		418	
Dividends received		5.293	
Unrealised foreign exchange profit		75	
		<u>75</u>	<u>(5.824)</u>
Net loss for the year			<u>(10.745)</u>
Loss carried forward			<u>(10.745)</u>

AROWNTOWN PROPERTY HOLDINGS PLC

COMPUTATION OF CORPORATE TAX

For the year ended 31 December 2016

CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD

Tax year	2011	2012	2013	2014	2015	2016
	€000	€000	€000	€000	€000	€000
Profits/(losses) for the tax year	-	-	-	-	-	(10.745)
Gains Offset (€000)	-	-	-	-	-	-
- Year						
Gains Offset (€000)	-	-	-	-	-	-
- Year						
Gains Offset (€000)	-	-	-	-	-	-
- Year						
Gains Offset (€000)	-	-	-	-	-	-
- Year						
Gains Offset (€000)	-	-	-	-	-	-
- Year						

Net loss carried forward

(10.745)

AROUNDTOWN PROPERTY HOLDINGS PLC

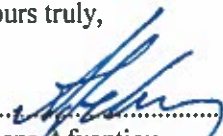
CERTIFICATE


For the year ended 31 December 2016


We hereby certify, to the best of our knowledge and belief, that:

- 1) The proceeds of all sales and all other income have been properly recorded as such in the books produced to KPMG Limited.
- 2) All expenses for the year under review represent expenses incurred wholly and exclusively for the Company's business and have been properly recorded as such in the books produced to KPMG Limited.
- 3) All transactions affecting the business for the year under review have been properly recorded in the books produced to KPMG Limited.
- 4) All reserves are properly shown and all necessary provisions have been duly made and shown as such in the books produced to KPMG Limited.
- 5) All assets and liabilities have been properly taken up as at 31 December 2016 in the books produced to KPMG Limited.
- 6) All investments in non listed titles were presented to KPMG Limited at their fair value, as determined by the Company.
- 7) The Company had no contingent liabilities as at 31 December 2016.
- 8) No events have occurred and no facts have been discovered since the year-end, which could materially affect the true and fair view of these financial statements as at 31 December 2016.

Yours truly,


.....
Jelena Afxentiou
Director


.....
Elena Koushos
Director


.....
Reshef Ishgur
Director

Larnaca, 7 March 2017