CEEREF

CEEREF S.A.

Société Anonyme

UNAUDITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

according to International Financial Reporting Standards (IFRS)

as adopted in the EU

Consolidated statement of financial position

in EUR	Note	31 December 2016	31 December 2015
Assets			
Non-current assets			
Intangible assests		21.674	7.422
Property, plant and Equipment	6	203.997	245.896
Investment property	7	60.498.860	62.226.952
Other non-current financial assets		46.420	37.958
Other receivables		7.748	7.081
Deferred tax assests	8	2.435.161	2.369.939
		63.213.861	64.895.248
Current assets			
Inventories	9	17.525.705	17.317.235
Trade and other receivables	10	625.542	674.395
Other current financial assets	11	232.644	225.883
Other current assets	12	137.991	278.122
Current tax assets		121	224
Cash and cash equivalents	13	947.441	490.679
		19.469.444	18.986.538
Total assets		**82.683.305**	**83.881.786**
Equity and Liabilities			
Equity			
Share capital	14	36.728.425	33.415.885
Share premium reserve		11.649.240	21.906.310
Legal reserve		3.152	3.152
Foreign exchange reserve		0	-163
Retained earnings		11.439.399	-1.346.416
Total equity		**59.820.217**	**53.978.768**
Liabilities			
Non-current liabilities			
Borrowings	15	19.851.819	21.158.680
Derivative financial instruments		15.594	170.679
Other non-current liabilities		0	0
		19.867.413	**21.329.359**
Current liabilities			
Trade and other payables	16	1.011.664	921.828
Borrowings		1.982.729	7.628.765
Income tax payable		1	21.283
Provisions		1.282	1.783
		2.995.676	**8.573.659**
Total liabilities		**22.863.089**	**29.903.018**
Total equity and liabilities		**82.683.305**	**83.881.786**

Notes are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

in EUR		2016	2015
Gross rental revenue		4.610.950	4.231.300
Other Revenue - services		1.010.381	1.240.167
Other operating income		21.458	27.579
Total gross revenue	17	**5.642.789**	**5.499.046**
Cost of materials	18	-750.991	-717.351
Cost of services		-1.748.438	-1.495.546
Personnel expenses		-273.151	-490.749
Depreciation and amortization expenses		-20.675	-31.866
Impairment of assets		-1.426.011	
Other expenses		-565.800	-822.479
Total operating expenses		-4.785.065	-3.557.991
Operating profit (rental & services)		**857.724**	**1.941.055**
Other Revenue - gross sales of inventory	17	1.278.194	1.350.238
Changes in inventories of finished goods and work in progress		-9.788	-1.759.979
Gain on disposal of investment property		62.769	729.234
Net gain / loss from sales of inventory and investment property		**1.331.175**	**319.493**
Net gain (- loss) from fair value adjustment on investment property		-1.988.261	3.034.516
Reversal of impairment of inventory		1.182.169	8.315.062
Net gain (- loss) from fair value adjustments		**-806.092**	**11.349.578**
Finance income	19	212.869	285.436
Finance expense	19	-1.192.223	-1.294.094
Finance cost - net		**-979.354**	**-1.008.658**
Profit before income tax		**403.453**	**12.601.468**
Income tax expense		59.408	-2.194.318
Profit / loss for the year		**462.862**	**10.407.150**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange gains arising on translation of foreign operations			8.405
Other comprehensive income for the year		0	8.405
Total comprehensive income for the year attributable to owners of the parent		**462.862**	**10.415.555**
Basic and diluted earnings per share in € per share	20	**0,68**	**15,08**

Notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

in EUR

	Share capital	Share premium reserve	Legal reserve	Foreign exchange reserve	Retained earnings	Total equity
Balance at 1 January 2015	**13.465.885**	**16.154.690**	**3.152**	**-8.568**	**-11.753.566**	**17.861.593**
Capital increase	19.950.000	5.751.620				25.701.620
Transactions with owners	**19.950.000**	**5.751.620**	**0**	**0**	**0**	**25.701.620**
Profit (-loss) for the year					10.407.150	10.407.150
Other comprehensive income				8.405		8.405
Total comprehensive income	**0**	**0**	**0**	**8.405**	**10.407.150**	**10.415.555**
Balance at 31 December 2015	**33.415.885**	**21.906.310**	**3.152**	**-163**	**-1.346.416**	**53.978.768**

in EUR

	Share capital	Share premium reserve	Legal reserve	Foreign exchange reserve	Retained earnings	Total equity
Balance at 1 January 2016	**33.415.885**	**21.906.310**	**3.152**	**-163**	**-1.346.416**	**53.978.768**
Capital increase	3.312.540	2.038.632				5.351.172
Repayment of capital		-12.295.701			12.322.954	27.253
Transactions with owners	**3.312.540**	**-10.257.069**	**0**	**0**	**12.322.954**	**5.378.425**
Profit (-loss) for the year					462.862	462.862
Other comprehensive income				163		163
Total comprehensive income	**0**	**0**	**0**	**163**	**462.862**	**463.025**
Balance at 31 December 2016	**36.728.425**	**11.649.241**	**3.152**	**0**	**11.439.399**	**59.820.217**

Notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

in EUR	2016	2015
Profit before income tax	403.453	12.601.468
Adjustments for:		
Depreciation and amortization	20.675	31.866
Net gain from fair value adjustment on investment property	1.988.261	-3.034.516
Net gain on reversal of impairment of property inventory	-1.182.169	-8.315.062
Foreign exchange recognized in other comprehensive income	0	8.405
Financial cost - net	979.354	1.008.658
Changes in working capital:		
Change in inventory	973.699	466.307
Change in trade and other receivables	188.420	-242.708
Change in trade and other payables	68.053	-486.898
Cash generated from operations	**3.439.746**	**2.037.520**
Interest paid	-1.185.484	-1.294.094
Income tax paid	-5.813	-3.210
Net cash generated from operating activities	**2.248.449**	**740.216**
Cash flows from investing activities		
Purchases of investment property	-260.169	-15.209.013
Interest received	57.785	14.143
Purchases of intangible assets and property plant and equipment	27.647	-19.252
Acquisition of financial assets	-15.223	-259.920
Net cash used in investing activities	**-189.961**	**-15.474.042**
Cash flows from financing activities		
Capital received	5.351.172	25.701.620
Repayments of borrowings	-6.952.898	-10.921.678
Derivative	0	0
deferred tax		0
Net cash used in financing activities	**-1.601.726**	**14.779.942**
Net decrease or increase in cash and cash equivalents	456.763	46.116
Cash and cash equivalents at the beginning of the year	490.679	444.563
Cash and cash equivalents at the end of the year	**947.442**	**490.679**

Notes are an integral part of these consolidated financial statements.

Notes to financial statements

1. General information

The consolidated financial statements of Ceeref S.A. and its subsidiaries (the Group) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on November 27, 2017. Ceeref S.A. (the Company) is a public limited company (societe anonyme) governed by Luxembourg law with its registered business address at 42 Rue de la Vallee, L-2661 Luxemourg.

The Company listed 379 148 ordinary shares on May 6, 2013 and 570,000 shares on December 5, 2016 on the Vienna Stock Exchange. The shares have nominal value of 35€/share, are marked as CRF, ISIN code is LU0925745043 and are included in the "Third market" of the Vienna Stock Exchange.

In 2016 there was no transactions done on the Vienna Stock exchange.

General activity
The Company is a public limited liability company incorporated under the laws of Luxembourg and indirect real estate investment vehicles. Shares are directly backed by the properties and liquid assets held by the Company. The Company may raise additional equity by sale of newly issued shares to the public. Shares are freely transferable; price of shares fluctuates around the initial price at which the shareholders received or bought shares (IPO, organized market, OTC).

Organisational scheme
As of December 31, 2016, the Company held 12 Special Purpose Vehicles (hereafter "SPV). Project & building managers, accounting and administration employees (in total 4 employees) are employed with the company "CEEREF Upravaljanje d.o.o.", that is a subsidiary of the company CEEREF C2C. In addition, CEEREF C2C has 2 employees, CEEREF Naložbe has 3 employees and CEEREF MNP has 4 employees.

The Company holds 100% of shares and 100% of voting rights in all subsidiaries. A list of all subsidiaries is included in Appendix 1.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS), as adopted in the European Union. For the year ended 31 December 2013 and 31 December 2014 the Group prepared its statutory consolidated financial statements in accordance with generally accepted accounting principles in Luxembourg (Lux GAAP). Financial statements for the year ended 31 December 2015 are the first the Group has prepared in accordance with IFRS. Refer to note 25 for information on how the Group adopted IFRS.

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

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

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost basis, except for the measurement of investment property at fair value. Financial assets classified as available for sale and derivative financial instruments have been measured at fair value.

Presentation currency

The consolidated financial statements are presented in Euro, which is also the Group's functional currency. Amounts are rounded to the nearest Euro, unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The nature of estimation means that actual outcomes could differ from those estimated. Significant estimates and assumptions are made in the valuation of investment properties held and inventories.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2015

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

- IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018 but not yet adopted by EU; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.

The Standard replaces IAS 39, Financial Instruments: Recognition and Measurement. The Group does not expect IFRS 9 to have material impact on the consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018 but not yet endorsed by EU. Earlier application is permitted.

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and at what amount. The new model specifies that revenues should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principle that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing and uncertainty of revenues and cash flows arising from a contract with a customer.

The Group has not yet completed a thorough analysis of expected impact of the new Standard yet.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

Subsidiaries

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group applies the acquisition method to account for business combinations. Acquisition-related costs are expensed as incurred. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Acquisition of business from companies under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Business combinations arising from transfers of interests in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, the date the entity was founded or, if later, at the date that common control was established.

The assets and liabilities acquired under common control are recognised at the carrying amounts recognised previously in the financial statements of the entities acquired. In the absence of more specific guidance, the Group consistently applied the book value method to account for all common control transactions.

Transactions eliminated on consolidation

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full.

2.3 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the chief executive officer (CEO) of CEEREF S.A.

2.4 Foreign currency translation

Functional and presentation currency

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency and presentation currency. Three subsidiaries are based in Croatia with the functional currency Croatian Kuna (HRK); all other subsidiaries are based in Slovenia and their functional currency is euro.

Transactions and balances

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

Group companies

On consolidation, the results of subsidiaries that have a functional currency different from the euro are translated into euro at rates approximating to those ruling when the transactions took place. All assets and liabilities these subsidiaries, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

2.5 Investment property

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

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

External independent valuers having appropriately recognised professional qualifications and recent experience in the location and category of property being valued, value the portfolio of investment property at least annually.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

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

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within the net gain from fair value adjustment on investment property.

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

2.6 Property, plant and equipment

Items of property, plant and equipment are stated at historic cost less depreciation. As well as the purchase price, historical cost includes directly attributable costs and where applicable borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repair and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Land and property under construction	-	not depreciated
Buildings	-	30 years straight line
Equipment	-	5 -8 years straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

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

2.7 Leases

Group company is the lessee in an operating lease

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

Group company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position. Payments received under operating leases are credited to income statement on a straight-line basis over the period of the lease.

2.8 Inventory property

Inventory property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV). They are initially recognised at cost which comprises all costs of purchase, amounts paid to contractors for construction and borrowing cost, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory property also arises where there is a change in use of investment properties evidenced by the commencement of development with a view to sale, and the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of reclassification. They are subsequently carries at lower cost and net realisable value.

2.9 Financial instruments

Financial assets

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

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

The Group's financial assets consist of loans and receivables, derivatives and available-for sale financial assets.

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables, They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost, Cash and cash equivalents include cash in hand and deposits held at call with banks.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise interest rate swaps and caps for hedging purposes (economic hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedge contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in the profit or loss in net change in fair value of financial instruments at fair value through profit or loss.

The Group assesses at each financial position 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 the measured as the difference between the assets'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. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in income statement.

Financial liabilities

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

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

All loans and borrowings are classifies as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.12 Trade and other payables

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

2.13 Borrowings

Borrowings are recognised initially at fair value, 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 as finance cost over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity – in which case, the tax is also recognised in other comprehensive income or equity.

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 in the countries where the Group operates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.16 Employee benefits

The Group is obliged to pay its employees jubilee benefits and post-employment benefits on retirement. Management estimates that the provision calculated according to IAS 19, using the projected unit credit method and actuarial assumptions, is not material and therefore no provision has been recognised.

2.17 Revenue recognition

Rental income and service charges

Revenue includes rental income and service charges from properties. Rental income from operating leases is recognised on a straight line basis over the lease term.

Service and management charges are recognised in the accounting period in which the services are rendered.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

Sale of completed property

A property is regarded as sold when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

2.18 Dividend distribution

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

2.19 Interest income and expense

Interest income and expense are recognised within finance income and finance expense in profit and loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

3. Risk management

An investment in the Group involves certain risks relating to the investment strategies of the Group. No representation is hereby made that the Company's investment objective will be achieved. Each Investor should give careful consideration to the following risk factors, which are not exhaustive, in evaluating the merits and suitability of an investment in the Group.

The **General Real Estate Risks** and uncertainties include:

- general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases at favorable rates, dependence on tenants' financial condition, and competition from other developers, owners and operators of real estate);
- risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments;
- risks to identify properties to acquire, to complete acquisitions or to integrate acquisitions successfully;
- risks and uncertainties affecting property development and construction;
- risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;
- potential liability for uninsured losses and environmental contamination;
- possible adverse changes in tax and environmental laws;
- and risks associated with our dependence on key personnel whose continued service is not guaranteed.

Investing in the Group involves certain considerations in addition to the risks normally associated with making investments in securities. The value of shares may go down as well as up and there can be no assurance that upon the sales, or otherwise, the shareholders will receive back the amount originally invested.

Financial risk factors

The risk management function within the Group is carries out in respect of financial risks. 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 and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that the exposure to risks stays within these limits.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The financial instruments held by the group that are affected by market risk are principally the derivative financial instruments.

i. Cash flow and interest rate risk

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. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk. The Group's policy is to fix interest rate on its variable interest borrowings.

Trade and other receivables and trade and other payables are interest free and with terms less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

ii. Currency risk

Foreign exchange risk arises in respect of those monetary financial assets and liabilities that are not in the functional currency of the respective group entity. The Group operates mainly in Slovenia in its functional currency euro. One financial lease contract is taken up in Swiss Franc (CHF) and minor value transactions are varied out in Croatian Kuna (HRK).

The table bellow summarises the Group's financial assets and liabilities held in different currencies:

	31 December 2016			
	EUR	HRK	CHF	Total
Financial assets				
Other financial assets	279.064			279.064
Trade and other receivables	630.954	2.337		633.291
Cash and cash equivalents	929.169	18.272		947.441
Financial liabilities				
Bank borrowings	18.909.132			18.909.132
Finance lease liabilities	0		2.042.687	2.042.687
Borrowings from related parties	882.729			882.729
Derivatives	15.594			15.594
Trade and other payables	1.011.664			1.011.664

	31 December 2015			
	EUR	HRK	CHF	Total
Financial assets				
Other financial assets	263.841			263.841
Trade and other receivables	669.515	11.961		681.476
Cash and cash equivalents	468.068	22.611		490.679
Financial liabilities				
Bank borrowings	21.872.169			21.872.169
Finance lease liabilities			2.390.853	2.390.853
Borrowings from related parties	4.524.423			4.524.423
Derivatives	170.679			170.679
Trade and other payables	921.828			921.828

iii. Price risk

The Group is exposed to market price risk with respect to fair value of investment property and property inventories. The portfolio is managed with an awareness of the effects of adverse valuation movements. Investments in property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimized through the appointment of external property valuers.

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. The Group has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade and derivatives. The Group has policies in place to ensure that rental contracts are entered into only with lessors with an appropriate credit history. Customer credit risk is managed by requiring customers to pay advances before transfer of ownership.

The Groups maximum exposure to credit risk by class of financial assets:

	2016	2015
Trade receivables	673.180	199.416
Other current financial assets	137.991	278.122
Cash and cash equivalents	947.441	490.679
	1.085.432	768.801

Analysis of credit quality of financial assets is as follows:

	2016	2015
Trade receivables		
- receivables not due	616.277	119.049
- receivables less than 30 days overdue	30.139	39.395
- receivables 30 to 90 days overdue	7.669	17.334
- receivables over 90 days overdue	19.095	23.638
	673.180	199.416

c. ***Liquidity risk***

The Group's objective is to maintain sufficient cash, the availability of funding through an adequate amount of credit facilities. The amounts disclosed in the tables below are the contractual undiscounted cash flows.

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

31 December 2016	Less than 3 months	3 - 12 months	1-5 years	> 5 years	Total
Bank borrowings	30.000	1.070.000	17.809.132		18.909.132
Finance lease liabilities		348.166	1.694.521		2.042.687
Borrowings from related parties		882.729			882.729
Derivatives			15.594		15.594
Trade and other payables	1.011.664				1.011.664
	1.041.664	2.300.895	19.519.247	0	22.861.806

The maturity analysis of financial liabilities as at 31 December 2015 is as follows:

31 December 2015	Less than 3 months	3 - 12 months	1-5 years	> 5 years	Total
Bank borrowings	30.000	1.190.000	20.652.169		21.872.169
Finance lease liabilities		378.376	2.012.477		2.390.853
Borrowings from related parties		4.524.423			4.524.423
Derivatives			170.679		170.679
Trade and other payables	921.828				921.828
	951.828	6.092.799	22.835.325	0	29.879.952

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio, This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Group as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

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

	2016	2015
Total borrowings	21.834.547	28.787.445
less: cash and cash equivalents	-947.441	-490.679
Net debt	20.887.106	28.296.766
Total equity	59.820.217	53.978.768
Total capital	80.707.323	82.275.534
Gearing ratio	25,88%	34,39%

Fair value estimation

Set out bellow is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial assets				
Other financial assets	279.064	263.841	279.064	263.841
Trade and other receivables	633.291	681.476	633.291	681.476
Cash and cash equivalents	947.441	490.679	947.441	490.679
Financial liabilities				
Bank borrowings	18.909.132	21.872.169	18.909.132	21.872.169
Finance lease liabilities	1.694.521	2.012.477	1.694.521	2.012.477
Borrowings from related parties	882.729	4.524.423	882.729	4.524.423
Derivatives	15.594	170.679	15.594	170.679
Trade and other payables	1.011.664	921.828	1.011.664	921.828

The fair value hierarchy can be described as follows:

- Level 1 – quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data;
- Level 3 – use of a model with inputs for the asset or liability that are not based on observable market data.

31 December 2016	Level 1	Level 2	Level 3	Total
Bank borrowings		18.909.132		18.909.132
Finance lease liabilities		2.042.687		2.042.687
Borrowings from related parties		882.729		882.729
Derivatives		15.594		15.594
Trade and other payables		1.011.664		1.011.664

31 December 2015	Level 1	Level 2	Level 3	Total
Bank borrowings		21.872.169		21.872.169
Finance lease liabilities		2.390.853		2.390.853
Borrowings from related parties		4.524.423		4.524.423
Derivatives		170.679		170.679
Trade and other payables		921.828		921.828

Management has assessed the fair values of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-ter maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which an instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument are observable, the instrument is included in level 2.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historic experience as adjusted for current market conditions and other factors. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of net realisable value for inventory property
Inventory property is stated at the lower of cost and net realisable value (NRV).
NRV for inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by valuation experts using recognised valuation techniques.

Investment properties
The fair value of investment properties is determined by using valuation techniques. Further details see note 7.

Taxes
Uncertainties exist with respect to the interpretations of complex tax regulations, changes in tax law and the amount and timing of future taxable income.

The deferred tax assets recognised at 31 December 2015 have been based on future profitability assumptions over a five-year horizon. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

5. Operating segments

The Management has considered the requirements of IFRS 8 – Operating segments. The management is of the opinion that the Group is engaged in a single segment of business, being property investment and basically in one geographical area, Slovenia. Less than 5% of assets are located in Croatia.

6. Property, plant and equipment

	Buildings	Fixtures and fittings	Assets under construction	Total
Cost				
At 31 December 2014	21.521	807.625	12.800	841.946
Additions		5.054	7.592	12.646
Acquired through business combinations		108.608		108.608
Disposals		-2.413		-2.413
At 31 December 2015	21.521	918.874	20.392	960.787
Additions		1.250		1.250
Acquired through business combinations				0
Disposals				0
At 31 December 2016	21.521	920.124	20.392	962.037
Accumulated depreciation				
At 31 December 2014	19.907	564.184	0	584.091
Depreciation	1.614	31.226		32.840
Disposals				0
Acquired through business combinations		97.961		97.961
As at 31 December 2015	21.521	693.371	0	714.892
Depreciation		22.756	20.392	43.148
Disposals				0
Acquired through business combinations				0
As at 31 December 2016	21.521	716.127	20.392	758.040
Net book value				
At 31 December 2014	1.614	243.441	12.800	257.855
At 31 December 2015	0	225.503	20.392	245.895
At 31 December 2016	0	203.997	0	203.997

There were no impairment charges in 2015 and 2016.

No borrowing costs were capitalized for property, plant and equipment.

7. Investment property

Investment property is measured at fair value. All investment property is located in Slovenia

Subsidiary		Fair value 2016	Fair value 2015	Fair value 2014	Valuation for 2016
Ceeref Naložbe d.o.o.	office space	31.000.018	32.628.220	29.456.000	EVOVODA
Ceeref MNP d.o.o.	land and office space	15.000.000	14.967.309	0	EVOVODA
Ceeref Projekt Trnovska vrata d.o.o.	office space	4.791.000	4.812.000	4.832.000	CBRE
Ceeref Trženje d.o.o. :	office space	4.023.824	4.025.824	4.049.824	CBRE
- Ceeref Trženje d.o.o. / Projekt D9	*office space*	*2.813.000*			*CBRE*
- Ceeref Trženje d.o.o. / projekt Semedela	*office space*	*1.210.824*			*CBRE*
CEEREF C2C d.o.o.	office and production space	3.218.000	3.155.000	2.997.000	CBRE
Ceeref Projekt Pot na Tojnice d.o.o.	land	1.461.000	1.532.000	1.542.000	CBRE
Ceeref Projekti d.o.o.	land	1.005.018	1.106.599	1.106.599	Koritnik
		60.498.860	62.226.952	43.983.423	

Carrying amount reconciliation

	2016	2015
At 1 January	62.226.952	43.983.423
Purchases	193.954	241.808
Acquired through business combination		14.967.309
Disposals		-104
Fair value gain /- loss recognized in profit or loss	-1.922.046	3.034.516
At 31 December	60.498.860	62.226.952

Items of income and expense
During the year 4.610.950 EUR (2015: 4.231.300 EUR) was recognised in the consolidated statement of comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to 2.386.560 EUR (2015: 2.049.973 EUR). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to 450.104 EUR (2015: 0 EUR).

Restrictions and obligations
Bank borrowings are secured on investment property to the value of 19.851.819 EUR (2015: 23.043.022 EUR)

Valuation processes

The Group's investment properties were valued by independent professionally qualified valuers who hold relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

At each financial year end the finance department verifies all major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and hold discussions with the independent valuer.

The fair value measurement for all investment property has been categorised as Level 3 recurring fair value based on inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

Explanation of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data;
- Level 3 – use of a model with inputs that are not based on observable market data.

Valuation techniques underlying the estimation of fair value

Subsidiary		Fair value 2016 Level 3	Fair value 2015 Level 3	Valuation for 2016	Valuation technique Level 3
Ceeref Naložbe d.o.o.	office space	31.000.018	32.628.220	EVOVODA	Income capitalisation
Ceeref MNP d.o.o.	land and office space	15.000.000	14.967.309	EVOVODA	Residual land value
Ceeref Projekt Trnovska vrata d.o.o.	office space	4.791.000	4.812.000	CBRE	Income capitalisation
Ceeref Trženje d.o.o.	office space	4.023.824	4.025.824	CBRE	Income capitalisation
C2C d.o.o.	office and production space	3.218.000	3.155.000	CBRE	Income capitalisation
Ceeref Projekt Pot na Tojnice d.o.o.	land	1.461.000	1.532.000	CBRE	Comparison approach
Ceeref Projekti d.o.o.	land	1.005.018	1.106.599	Koritnik	Comparison approach
		60.498.860	62.226.952		

The management did not make any adjustments to valuations appraisals and the carrying amounts of properties fully correspond to their fair values determined by independent valuers as at 31 December 2016.

8. Income tax

	2016	2015
Current tax	3.210	3.210
Deferred tax	-65.221	2.191.108
At 31 December	-62.011	2.194.318

The movement in deferred tax assets during the year is as follows:

Deferred tax assets	Adjustment of fair value of investment properties	Tax loss carry forward	Derivative financial instruments	Total
At 31 December 2014	3.650.155	835.757	75.135	4.561.047
Credited to the income statement	-2.214.497	69.509	-46.120	-2.191.108
At 31 December 2015	1.435.658	905.266	29.015	2.369.939
Credited to the income statement	-175.009	266.595	-26.364	65.221
At 31 December 2016	1.260.649	1.171.862	2.651	2.435.161

There are no other significant unrecognised deferred tax assets and liabilities.

The temporary differences relating to the adjustment of fair value of investment properties and inventories arise as investment property is carried at cost for tax purposes and no impairment of inventories to lower net realisable value has been recognised for tax purposes.

Tax losses arose in Slovenian subsidiaries and are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets of 2.295.375 EUR (2015: 2.295.167 EUR) relating to acquisition of subsidiary CEEREF MNP d.o.o. in 2015, which was accounted for as groups of assets, were not recognised in the financial statements. As the acquisition is not accounted for as a business combination, and affected neither accounting nor taxable profit at the point of acquisition, the initial recognition exemption in IAS 12 applies. The Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

9. Inventories

Inventories comprise various properties under development as well as developed properties for which marketing activities are underway.

	2016	2015
HVAR RUSTIKA	2.284.000	2.154.000
KARIGADOR	793.000	793.000
CEEREF NALOŽBE (Beli križ)	6.600.000	6.600.000
C2C DOO		4.998
CEEREF BREZIN		17.000
CEEREF PROJEKT POT NA TOJNICE	41.773	76.950
CEEREF PROJEKT GRBA PUHTEJEVA	1.971	856.000
CEEREF PROJEKTI	0	13.017
CEEREF MNP (including merged prior subsidiaries)	364.966	359.270
PROJECT ZABORŠT (in 2015 merged to Ceeref MNP)	1.774.320	1.054.000
CEEREF PROJEKT BRDO (in 2015 merged to Ceeref MNP)	362.000	362.000
CEEREF PROJEKT DRENOV GRIC (in 2015 merged to Ceeref MNP)	4.773.675	4.350.000
CEEREF PROJEKT SMREKEC (in 2015 merged to Ceeref MNP)	0	177.000
VILA KLIMNO	530.000	500.000
	17.525.705	17.317.235

Inventories in the amount of 17.479.000 EUR (2015: 16.346.000 EUR) are recorded at the net realisable value.

10. Trade receivables

	2016	2015
Trade receivables	271.449	199.416
Other receivables	354.094	474.979
	625.542	674.395

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts. Expected cash flows are discounted at current market rates to determine fair values.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of tenants.

No impairment of trade receivables has been recognised as it is expected that all receivables will be collected when due.

All receivables are nominated in euro.

11. Other current financial assets

Other current financial assets comprise short term loans.

12. Other current assets

Other current assets relate mainly to expenses paid in the current year, which relate to the following accounting period.

13. Cash and cash equivalents

Cash and cash equivalents comprise on demand deposits with banks. Cash at bank earns interest at floating rates based on daily bank deposit rates.

14. Share capital

As at 31 December 2016 the Company has issued fully paid up capital of 36.728.425 EUR divided into 1.049.383 shares with a nominal value of 35 EUR per share.

As at November 4, 2016 the Company has reduced share premium in amount of 12.295.701 EUR without repayment to the shareholders but by applying the proceeds of the reduction to absorb and set off the equivalent amount of losses of the Company.

As at December 23, 2016 the Company has increased its share capital by 5.351.172 EUR by incorporation of existing debts in exchange of 94.644 shares with a nominal value of 35 EUR per share newly issued for an amount of 3.312.540 EUR and a share premium amounting to 2.038.632 EUR.

Legal reserve
Under Luxembourg law, the Company is required to transfer to a legal reserve a minimum of 5% of its net profits each year until this reserve equals 10% of the issued share capital. This reserve is not available for distribution.

15. Borrowings

	2016	2015
Non-Current		
Bank borrowings	17.809.132	19.146.203
Finance lease liabilities	1.694.521	2.012.477
	19.503.653	21.158.680
Current		
Bank borrowings	1.100.000	2.725.966
Finance lease liabilities	348.166	378.376
Borrowings from related parties	882.729	4.524.423
	2.330.895	7.628.765
Total borrowings	21.834.547	28.787.445

Bank loans are secured by Groups' property portfolio.

Finance lease relates to certain property that is classified as investment property.

16. Trade and other payables

	2016	2015
Trade payables	451.130	367.303
Liabilities for advance payments	0	261.426
Other liabilities	560.534	293.099
	1.011.663	921.828

Trade payables are non-interest bearing and are normally settled within 30 days.

17. Revenue

	2016	2015
Rental revenue	4.610.950	4.231.300
Revenue from services related to rental	1.031.839	1.240.167
Revenue from sales of inventory	1.278.194	1.350.238
	6.920.983	6.821.705

The Group has entered into leases on some of its investment property portfolio. The property leases mostly include clauses to enable periodic upward revision of the rental charge according to inflation rate. Lease contracts are cancellable with cancellation periods from 3 to 12 months.

18. Expenses by nature

	2016	2015
Cost of materials	750.991	717.351
Cost of services	1.748.438	1.495.546
Personnel expenses		
- salaries	372.332	390.753
- social security contributions	45.060	64.379
- other personnel costs	54.122	35.618
	471.514	490.750
	2.970.943	2.703.647

19. Finance income and expense

	2016	2015
Finance income		
Change in fair value of derivative financial instruments	155.085	271.293
Interest income	57.785	14.143
	212.869	285.436
Finance expense		
Interest expense	-1.057.580	-1.159.450
Exchange rate losses	-134.644	-134.643
Finance cost- net	-1.192.223	-1.294.093

Derivative financial instruments comprise interest rate swaps and caps used as an economic cash flow hedge to mitigate interest rate risk of variable interest bank loans. The Group does not apply hedge accounting therefore the change in fair value of derivative financial instruments is recognised in the statement of profit or loss.

20. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2016	2015
Net profit attributable to shareholders	462.862	10.102.533
Weighted average number of ordinary shares in issue	685.513	669.739
Basic earnings per share (€ per share)	0,68	15,08

The company has no dilutive potential ordinary shares; the diluted earnings per share are the same as the basic earnings per share.

21. Business combinations and asset acquisitions

Business combinations

In the years ended 31 December 2015 and 31 December 2016 the Group did not enter into any transactions which would meet the definition of a business combination.

Asset acquisitions

In the year ended 31 December 2016 the Group didn't acquire any assets.

22. Contingencies and commitments

Commitments
As at 31 December 2016 and 31 December 2015 the Group did not have any commitments for future capital expenditure.

Legal claim contingency
At 31 December 2016 there are 2 legal procedures pending at a court in Ljubljana. The Group has been advised by legal counsel that it is possible, but not probable, the action will succeed and accordingly no provision for any liability has been made in these financial statements.

23. Related party transactions

During the year Group companies entered into following transactions with related parties who are not members of the Group:

In 2016 and 2015 the Group had the following interest expenses with related parties:

Income statement / expenses	2016	2015
Ampelus	765	4.461
G I Dakota Investments	10.184	0
	10.949	4.461

As at 31 December 2016 and 2015, the Group had the following liabilities to related parties:

Balance Sheet / Payables	2016	2015
Ampelus	495.684	4.153.210
G I Dakota Investments	264.789	254.605
	760.473	4.407.815

Key management compensation

The Directors of the Company did not receive any fee for their work to the exception of the success fee in 2015: 12.937 EUR.

24. Events after the date of the statement of financial position

There were no material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.

25. First-time adoption of IFRS

Financial statements, for the year ended 31 December 2015, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2014, the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles in Luxembourg (LuxGAAP).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2015, together with the comparative period data for the year ended 31 December 2014, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its LuxGAAP financial statements, including the statement of financial position as at 1 January 2014 and the financial statements for the year ended 31 December 2014.

Exemptions applied

IFRS 1 allows first-time adopters certain exemption from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under IFRS that occurred before 1 January 2014. Use of this exemption means that the LuxGAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS statement of financial position. The Group did not recognize or exclude any previously recognized amounts as a result of IFRS recognition requirements.

  IFRS 1 also requires that the Luxembourg GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. Goodwill stated under LuxGAAP was impaired as at 1 January 2014.

- Investment property has been measured at fair value at the date of transition to IFRS.

- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2014.

- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalizes borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalized under LuxGAAP on qualifying assets prior to the date of transition to IFRS.

- The Group has designated unquoted equity instruments held 1 January 2014 as available-for-sale (AFS) financial assets.

Estimates

The estimates at 1 January 2014 and at 31 December, 2014 are consistent with those made for the same dates in accordance with Luxembourg GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Luxembourg GAAP did not require estimation:

- Derivative financial instruments
- Deferred tax

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2014, the date of transition to IFRS and as at 31 December 2014.

Group reconciliation of equity as at 1 January 2014 (date of transition to IFRS)

		LuxGAAP		IFRS
in EUR	Note	01 January 2014		01 January 2014
Assets				
Non-current assets				
Intangible assests		8.732	0	8.732
Goodwill	A	680.854	-680.854	
Property, plant and Equipment		301.682	0	301.682

in EUR	Note	LuxGAAP 01 January 2014		IFRS 01 January 2014
Investment property	B	45.281.001	1.590.049	46.871.050
Other non-current financial assets		3.921	0	3.921
Other receivables		6.338	0	6.338
Deferred tax assests	C	0	4.215.875	4.215.875
		46.282.528		51.407.598
Current assets				
Inventories		10.166.400	1.729	10.168.129
Trade and other receivables		852.499	0	852.499
Other current financial assets			0	0
Other current assets		6.463	0	6.463
Current tax assets			0	0
Cash and cash equivalents		338.120	0	338.120
		11.363.482		11.365.211
Total assets		**57.646.010**		62.772.809
Equity and Liabilities				
Equity				
Share capital		13.465.885	0	13.465.885
Share premium reserve		16.154.690	0	16.154.690
Legal reserve		3.152	0	3.152
Foreign exchange reserve		0	0	0
Consolidated reserves		8.292.532	-8.292.532	
Retained earnings		-22.564.983	12.637.415	-9.927.568
Total equity		**15.351.276**		19.696.159
Liabilities				
Non-current liabilities				
Borrowings		19.926.803	0	19.926.803
Derivative financial instruments	D		781.915	781.915
Other non-current liabilities				
		19.926.803		20.708.718
Current liabilities				
Trade and other payables		1.858.390	1	1.858.391
Borrowings		20.504.995	0	20.504.995
Income tax payable		0	0	0
Provisions		4.546	0	4.546
		22.367.931		22.367.932
Total liabilities		**42.294.734**		43.076.650
Total equity and liabilities		**57.646.010**		62.772.809

Notes to the reconciliation of equity as at 1 January 2014 and 31 December 2014 and total comprehensive income for the year ended 31 December 2014

A Under IFRS no goodwill was recognised at 1 January 2014 as the conditions of IFRS 3 Business combinations were not met. The impairment of goodwill was recorded in retained earnings.

B Under IFRS the investment property is carried at fair value while under LuxGAAP the investment property is carried at cost and impaired to lower recoverable amount.

C Deferred tax assets for temporary differences between fair value and tax value for investment property, property inventory and derivative financial instruments were recognised. In addition deferred tax assets were recognised for tax losses which may be carried forward.

D The Group has entered into derivative financial instruments - interest rate swaps and caps which are recognised at fair value.

For and on behalf of the Company, the Directors

Mr. Igor Lah
Director A

Mr. Anouar Belli
Director B

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Subsidiaries:

Subsidiaries at 31 December 2016	Country	% held
HRVA RUSTIKA	Croatia	*100*
KARIGADOR	Croatia	*100*
CEEREF NALOZBE	Slovenia	*100*
CEEREF C2C	Slovenia	*100*
CEEREF PROJEKT POT NA TOJNICE	Slovenia	*100*
CEEREF PROJEKT GRBA PUHTEJEVA	Slovenia	*100*
CEEREF PROJEKT TRNOVSKA VRATA	Slovenia	*100*
CEEREF PROJEKTI	Slovenia	*100*
CEEREF TRZENJE	Slovenia	*100*
CEEREF MNP	Slovenia	*100*
VILA KLIMNO	Croatia	*100*
R-NŠ	Slovenia	*100*