APPENINN HOLDING NYRT.

SEPARATE ANNUAL FINANCIAL STATEMENTS

ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER 2019

IN COMPARISON TO THE YEAR ENDED 31 DECEMBER 2018

TABLE OF CONTENTS

3

Balance sheet

Assets	Note	31/12/2019 HUF '000'	31/12/2018 HUF '000'
Income-generating investment properties	15	8,791,832	8,311,034
Tangible assets	16	5,383	50,542
Ownership interests	17	9,578,629	8,107,100
Fixed (non-current) assets, total		**18,375,844**	**16,468,675**
Trade receivables	18	83,093	51,428
Other short-term receivables	19	25,257	29,468
Receivables from related parties	20	11,327,131	3,199,907
Shot-term loans granted	21	2,247	2,247
Accruals	22	80,988	6,031
Income tax assets		-	12,823
Cash and cash equivalents	23	11,445,732	2,791
Current assets, total		**22,964,448**	**3,304,695**
Assets, total		**41,340,292**	**19,773,370**
Equity and liabilities			
Subscribed capital	24	4,737,142	4,737,142
Own shares repurchased	25	(1,114)	(1,114)
Reserves	26	8,095,844	8,095,844
Accumulated P/L	27	3,747,026	2,085,818
Equity due to the Company's shareholders		**16,578,898**	**14,917,690**
Deposits provided by tenants	28	19,937	11,937
Bond debts	29	20,142,052	-
Long-term liabilities to related companies	30	1,877,521	2,733,171
Deferred tax liabilities	31	261,542	115,197
Long-term liabilities, total		**22,301,052**	**2,860,305**
Short-term bank loans	32	1,657,318	1,612,694
Other short-term liabilities	33	19,103	39,268
Short-term liabilities to related companies	30	652,551	260,890
Liabilities to suppliers	34	50,407	16,531
Income tax liabilities		493	-
Tax payment liabilities	35	49,963	-
Accrued expenses and deferred income	36	30,507	65,992
Current liabilities, total		**2,460,342**	**1,995,375**
Total liabilities		**24,761,394**	**4,855,680**
Equity and liabilities, total		**41,340,292**	**19,773,370**

The annexes on pages 7-54 constitute inseparable parts of the separate financial statements.

Comprehensive income statement

	Note	For the year ended 31/12/2019 HUF '000'	For the year ended 31/12/2018 (amended Note 41) HUF '000'
Income from the lease of property	3	539,207	311,138
Direct costs of property letting	4	(38,685)	(21,698)
Direct coverage		**500,522**	**289,440**
Revenues from services charges earned by subsidiaries	5	220,000	176,000
Administration costs, service fees, wages	6	(354,563)	(378,134)
Other revenues/(expenditures)	7	(215)	(3,093)
Profit (loss) on the sale of subsidiaries and investments	8	-	13,920
Revaluation P/L on income-generating investment properties	9	1,734,687	2,144,827
Capital projects on real property	10	(6,601)	(12,375)
Operating P/L		**2,093,830**	**2,230,585**
Depreciation and amortization	16	(9,049)	(4,653)
Other expenses on financial operations	11	(93,724)	(175,912)
Balance on interest revenues and (expenses)	12	(162,145)	(22,092)
P/L before taxes		**1,828,912**	**2,027,928**
Income taxes	13	(167,704)	(126,505)
P/L for the reporting year		**1,661,208**	**1,901,423**
Other comprehensive income			
Exchange rate differences incurred during the conversion of foreign exchange for various activities		-	-
Other comprehensive P/L less taxes, for the reporting year		**-**	**-**
TOTAL COMPREHENSIVE RESULT OF THE REPORTING YEAR		**1,661,208**	**1,901,423**

The annexes on pages 7-54 constitute inseparable parts of the separate financial statements.

Change in equity (HUF '000')	Subscribed capital	Reserves	Repurchased own shares	Accumulated P/L	Equity, total
Balance as at 1 January 2018	**4,089,255**	**3,630,418**	**-**	**696,287**	**8,415,960**
Comprehensive income in the reporting year					
P/L for the reporting year				**1,901,423**	**1,901,423**
Transactions with owners	**647,887**	**4,465,426**	**(1,114)**	**(511,892)**	**4,600,307**
Purchase of equity			(49,940)		(49,940)
Sale of equity shares			48.826	1.421	50.247
Reclassification		513.313		(513,313)	-
Capital increase	647,887	3,952,113			4,600,000
Balance as at 31 December 2018	**4,737,142**	**8,095,844**	**(1,114)**	**2,085,818**	**14,917,690**
Balance as at 1 January 2019	**4,737,142**	**8,095,844**	**(1,114)**	**2,085,818**	**14,917,690**
Comprehensive income in the reporting year					
P/L for the reporting year				**1,661,208**	**1,661,208**
Balance as at 31 December 2019	**4,737,142**	**8,095,844**	**(1,114)**	**3,747,026**	**16,578,898**

The annexes on pages 7-54 constitute inseparable parts of the separate financial statements.

Cash Flow **HUF '000'**	**Note**	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
P/L before taxes		**1,828,913**	**2,027,928**
Revaluation P/L on income-generating investment properties	9	(1,734,687)	(2,144,827)
Depreciation	16	9,049	4,653
Deferred tax	13	(146,345)	(114,555)
Profit (loss) on the sale of subsidiaries	8	-	(13,920)
Interest income	12	(128,436)	(97,695)
Interest expenses	12	290,581	102,867
Change in receivables and other current assets	20	(95,750)	(87,644)
Change in liabilities, prepayments and accrued income	36	574,196	(2,058,097)
Income tax paid		(16,458)	(11,950)
Net cash generated from operating activities		**581,063**	**(2,393,240)**
Acquisition of participations	7	(1,471,529)	-
Sale of income-generating properties	12	1,253,889	-
Revenues from the sale of tangible assets	16	36,109	-
Purchase of tangible assets	16	-	(53,503)
Loans granted to related parties	20	(8,125,472)	(1,834,336)
Net cash flow from investment activity		**(8,307,003)**	**(1,887,839)**
Bond issue	29	20,142,052	-
Repayment of own-issued bonds	29	-	(62,028)
Change in loans granted	21	-	(48)
Repayment of loans, leases and advances		(811,026)	
Increment on loans, leases and credits	32	-	4,345,866
Acquisition of equity	25	-	49,940
Sale of equity	25	-	(48,826)
Interest expenses	12	(290,581)	(102,867)
Exchange difference	11		-
Interest earnings	12	128,436	97,695
Net cash-flow from financial activity		**19,168,881**	**4,279,732**
Change in liquid assets	**23**	**11,442,941**	**(1,347)**
Balance of financial assets:			
Financial assets at the beginning of the year	23	2,791	4,138
Financial assets at the end of the year	23	11,445,732	2,791

The annexes on pages 7-54 constitute inseparable parts of the separate financial statements.

1. General information

1.1 Description of the company

Appeninn Vagyonkezelő Holding Nyrt. (“Company”) was established on 1 December, 2009. The Company was registered by the Companies Court on 7 December, 2009 under registration number 01-10-046538. On 19 May 2011, during transformation, Rotux Zrt. (company registration number: 01-10-045553) merged into Appeninn Nyrt.

Registered office of the Group: H-1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1.

On 31 December 2019, the Company had the following owners holding more than 5 per cent of the shares:

Owner’s name	Number of shares	Shares held %
BDPST Zrt.	13,879,524	29.30%
KONZUM II. Property Investment Fund	8,684,268	18.33%
OTP Property Investment Fund	2,410,372	5.09 %
Own shares	-	0.00%
Ratio of publicly held shares	22,397,255	47.28%
Total	**47,371,419**	**100.00%**

1.2 Basis of balance sheet compilation

i) Approval and statement on compliance with the International Financial Reporting Standards

In the opinion of the management, the financial statements have been compiled in agreement with the principle of going concern. The Board of Directors approved of the separate financial statements on 26 March 2020. These separate financial statements have been compiled on the basis of the Financial Reporting Standards promulgated and filed in the form of a regulation in the Official Journal of the European Union (EU). IFRS comprises standards and interpretations worded by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

In the Company’s separate financial statements the data are given in thousand forints (HUF ‘000’). All the amounts are rounded to the closest HUF amount in the financial statements

ii) Basis of preparing the report

The separate financial statements were compiled according to the standards and on the definitions given by IFRIC as released on 31 December 2019, which have been in force ever since. The notes to the financial statements also include the disclosures required by the Hungarian Accounting Act.

The financial year corresponds to the calendar year.

iii) Basis of valuation

During the compilation of the financial statements compliant with the IFRS standards the management needs to apply professional judgment, estimates and assumptions that have an impact on the applied accounting policies and on the sum total of the assets and liabilities, revenues and costs recognized in the report. The estimates and related assumptions are based on past experiences and numerous other factors, which can be considered as reasonable under the given conditions, and which have a result that lays the ground for the estimate of the book value of the assets and liabilities that cannot otherwise be clearly specified from other sources. The actual results may differ from these estimates.

Estimates and basic assumptions are regularly reviewed. Modifications of the accounting estimates are disclosed in the period when a particular estimate is modified if the modification only affects the given year, and in the period of modification as well as in future periods if the modification affects both the current and the future years.

2. Accounting policy

The most important accounting policy principles applied during the preparation of the separate financial statements are described below. The accounting policies have been applied consistently for the periods reported in these separate financial statements. The most important accounting principles applied in the course of compiling the financial report include the following:

2.1 Key components of the accounting policy

2.1.1 Reporting currency and foreign exchange balances

With a view to the content and circumstances of the underlying business events, the parent company’s functional currency is the Hungarian forint.

The foreign exchange transactions performed in a currency other than HUF were initially recognised at the exchange rate valid on the day of performing such transactions. Foreign currency receivables and liabilities were converted to forint at the exchange rate valid on the balance-sheet cut-off date. The exchange rate differences arising are recognized in the income statement among financial revenues and expenses.

Figures in the Company’s financial statements were specified in Hungarian forint (HUF), rounded to the closest thousand, unless otherwise provided.

The Company applies the foreign exchange rate quoted by Magyar Nemzeti Bank (National Bank of Hungary).

The transactions performed in a foreign currency are recognized in the functional currency - the foreign currency amount considered at the exchange rate between the reporting currency and the foreign currency valid on the transaction date. In the comprehensive income statement the exchange rate differences arising during the arrangement of monetary items, on the initial presentation of the period or from the use of an exchange rate other than the exchange rate applied in the previous financial statements, are recognized as revenues or expenditures in the period when they are generated. The monetary instruments and liabilities denominated in foreign currency are converted at the exchange rate valid at the end of the reporting period. The items valuated at fair value and denominated in foreign currency are converted at the exchange rate valid on the date of determining the fair value.

2.1.2 Sales revenue

The revenues realized on sales transactions appear when the conditions of the contracts are appropriately met. Sales revenues are exclusive of the value added tax. All revenues and expenditures are recognized in the relevant period on the basis of the principle of matching.

The basic principle of the IFRS 15 standard is that companies recognise revenue to depict the transfer of goods handed over or services provided to their customers in an amount that reflects the consideration (i.e. payment) to which the entity expects to be entitled in exchange for those goods or services. Revenues have been recognised in an amount that reflects the consideration the Group is expected to be entitled to in consideration of the particular products or services. However, sales revenues are recognised if the Company is likely to realise an economic benefit in relation to the transaction, and its amount is appropriately measurable. The sales revenue is recognised when control over the goods and the services is transferred to the buyer.

A new model coined the 5-step model was developed under this standard, including the identification of contract(s), the identification of the separate performance obligations, setting the transaction price, the allocation of the transaction price to the individual components, and the recognition of the sales revenue allocated to the individual obligations.

Performance obligations
On conclusion of a contract, the Company must identify the goods and services it has promised to the buyer, in other words, the performance obligations it has undertaken. The Company can recognise the revenue when it has satisfied its performance obligation by delivering the goods promised or providing the service promised. Performance is completed when the buyer has obtained control over the asset (service), as indicated by:

- The Company has an existing title to receive the consideration for the asset.
- The proprietary title to the buyer,
- The Company has physically transferred the asset,
- The buyer has a significant risk and capacity to benefit from the possession of this asset,

- The buyer has accepted this asset.

Setting the transaction price

When a contract has been performed, the Company must recognise revenue from delivery, i.e. the transaction price allocated to the performance obligation. The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services. When determining the transaction price, it is important that the components of variable consideration (e.g. rebates and price concessions) should be taken into account. An expected value was calculated for an estimate of variable consideration, which was weighted by the Company by probability factors.

Income from rent

The Company earns income from the sale of property by leasing office space and commercial property. The recognition of sales revenue is prorated from the date when the right of collecting lease fees starts to be exercised on account of property handed over for use. The Company collects lease fees in advance, and the recognition of revenue is prorated independently of payment and billing. The financial statements present the recoverable lease fees due on the period covered by the financial statements.

Revenues from property management

The Company is the owner of built-in equipment (mechanical installations). Mechanical equipment constitutes the controlled assets of the subsidiaries and includes electricity supply, network supply connections, places of distribution, water network connections (kitchens, bathrooms), heating systems and boilers. The Company grants right of use in respect of the assets under its control, and tenants pay for the use of such assets on the basis of use. The Company treats the energy (gas, water and electricity) purchased for the equipment as services purchased for the equipment rather than materials sold independently. The Company does not sell energy to any customer independently and without such customer using the property. When operating property, the Company relies on the expertise, means and management system of its subsidiaries. Therefore, the Company treats income from operating property as its own income and performance.
The Company recognises the revenues raised from property management in the period when the Company incurs the costs from property management.

In addition to the above, the Company has other operation-related costs it re-invoices to its customers. In the course of such re-invoicing, the Company acts as an agent and therefore the related costs and revenues are recognised netted in the sales revenue, and consequently, the sales revenue only contains the net effect (profit). In previous years the Company incorrectly recognised these re-invoicing items in gross amounts, and the effects of the retroactive correction are included in Note 41.

Dividend and interest revenues

Dividends on investments are recognised when shareholders become entitled to disbursement (provided that it is probable that future economic benefits will flow to the entity, and the amount of the income can be reliably measured).

Income from other financial services
Interest income from other financial assets is recognised when it is probable that future economic benefits will flow to the entity, and the amount of the income can be reliably measured. Interest income is accrued and deferred at the relevant effective interest rate in a prorated manner with the outstanding amount of the principal taken into account. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

2.1.3 Measurement of capital investments

When measuring and presenting investments in the stand-alone financial statements, the entity can choose one of the following possibilities:

- at historical cost,
- at fair value according to IFRS 9 Financial Instruments,
- or accounting by the capital method defined in IAS 28 Investments in Associates.

The Company must apply the same method of recognition to the individual investment categories.

The Company uses the historical cost method.

During the calculation of depreciation, the Company must assess the return value on cash-generating units. The value in use is the discounted value of the future cash flows generated by the asset.

An impairment test must be performed in respect of ownership shares in subsidiaries, joint ventures and affiliates if signs of potential impairment are identified. If there is an indication of potential impairment, the recovery value of the shares must be determined and compared with the net recovery value of the ownership share in question. If the recovery value of the share is permanently and substantially lower than its net value, impairment must be recognised.

Entities compiling their stand-alone financial statements in accordance with IFRS test the value of subsidiaries (investments) compared with the value of the capital invested. The Company treats the net capital value of subsidiaries as their market value. It is often the case that the only key assets of subsidiaries are assets held for investment purposes under IAS 40 the value of which is recorded at the price adjusted for changes in market prices and returns. The other fixed assets of the subsidiaries are not significant (tangible assets). Receivables and liabilities are recorded at amortised cost with the foreign currency-denominated items revalued as at the record date. If the value of the capital invested is below the carrying value recorded by the entity, the Company recognises impairment on the investment concerned. If the difference between expected future and past capital values can be estimated reliably because of the planned contracts of the management, an appraisal of the investments is carried out in accordance with the investment valuation model, which serves as a basis for investment valuation.

2.1.4 Property, plant and equipment

Intangible assets are recognized at value at direct cost reduced by accumulated depreciation. Accumulated depreciation includes the recognized costs of non-accelerated depreciation incurred in relation to the continuous use and operation of the asset and of accelerated impairment required by the significant damage or injury to the asset due to an unexpected, extraordinary event.

The direct cost of tangible assets includes the cost of purchasing the asset, and in the case of a capital investment project implemented by the business on its own, the material and staff costs as well as other direct costs incurred. The interest accounted on a loan taken for a tangible asset investment project increases the cost of the asset until the asset is brought to the condition corresponding to its intended purpose.

The book value of tangible assets is revised annually in order to establish if the book value exceeds the fair market value of the asset, and if it does, impairment is required to the fair market value of the asset. The fair market value of the asset is the higher of the sales price or the use value of the asset. Use value is the discounted value of future fund flows generated by the asset.

A discount rate includes the interest rate before corporate taxes, with a view to the time value of money and the effects of other risk factors related to the asset. If no future cash flow can be assigned to the asset independently, the cash flow of the unit that includes the asset must be taken as a basis. The impairment determined by this method is recognized in the income statement.

The repair and maintenance cost of tangible assets and the costs of replacing spare parts are accounted to the debit of maintenance expenses. Value-increasing investments and renovations were capitalized. The direct costs and accumulated depreciation of assets sold are derecognized. Any profit or loss made in this way is part of the P/L for the reporting year.

The value of the Company’s assets is written off by the linear method during the useful life of the assets. The Company recognises the historical cost of assets with an individual value of below HUF 100,000 as lump sum depreciation. Life in a breakdown of asset groups is as follows:

Asset type	**Useful economic life**
Machinery & equipment	3-7 years
Leased real properties	5-year
Office equipment and fixtures and fittings	3-7 years

Useful lives and the depreciation methods are revised at least once every year on the basis of the actual economic benefit provided by the given asset. If required, the modification is offset against the profit of the reporting year.

2.1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation (including investment property in the process of construction). At the time of their initial appearance, investment properties are measured at prime cost, including transaction cost. Subsequent to initial recognition investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property must be included as profit from/loss on the revaluation of income-generating investment property in net profit or loss for the period in which it arises.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the income statement for the year when the real property is derecognised.

The criteria for determining the fair value related to the measurement of investment properties are given in Section 2.3.

2.1.6 Impairment of non-financial assets

At the end of each reporting period the Company assesses whether any change suggesting impairment has happened to any asset. If such a change has taken place, the Company estimates the value of the expected return on the asset. The expected return on an asset or cash-generating unit is the higher of the fair value less sales costs or the use value. The Company recognizes impairment to the debit of the profit if the expected return on the asset is less than its book value. The Company makes the required calculations on the basis of an appropriate discounting of long-term future cash flow plans.

2.1.7 Intangible assets

Individually obtained intangible assets are recognized at cost, while the intangible assets acquired in the course of business combinations are disclosed at fair value at the time of the acquisition. An asset may be included in the books if its use can be proven to result in the future inflow of business benefits and its cost can be clearly established.

Following acquisition, the direct cost method applies to the intangible assets. The lives of these assets are either limited or cannot be determined. Assets with limited lives are depreciated by the linear method based on the best estimate of their lives. The period and method of amortisation are revised annually, at the end of each financial year. Disregarding development costs, own manufactured intangible assets are not capitalised but are offset against the P/L in the year when they are incurred. Intangible assets are revised annually for impairment, either separately or at the level of the income-generating unit.

The costs of goods and software falling within the scope of brand names, licenses and industrial property rights are capitalised and linearly derecognised during their useful life:

Concessions, licences and similar rights, and software	3-year

2.1.8 Receivables

Liabilities are recognized in the statements at a nominal value reduced by the appropriate impairment generated for estimated losses. Based on the review of all outstanding receivables prevailing at the end of the year an estimate was made for the value of receivables. Impairment is established in a situation (for example in the case of insolvency or the debtor's significant financial difficulties) that suggests that the Company will be unable to recover the amount according to the original conditions of the invoice. An account receivable already written off is derecognised if it is rated irrecoverable.

2.1.9 Financial assets

The financial assets falling within the scope of the IFRS 9 standard can be classified into three measurement categories: assets measured at amortised cost after acquisition; assets measured at fair value through other comprehensive income after acquisition (FVOCI) and assets measured at fair value through profit or loss after acquisition (FVTPL).

The Company's financial assets are classified upon initial valuation in accordance with their nature and objectives. In order to determine the category of a financial instrument, first it needs to be clarified if the given financial asset is a debt instrument or a capital investment. Capital investments must be measured at fair value through the P/L, but at the time of initial recognition the business may decide to measure capital investments not held for trading at fair value through the other comprehensive P/L. If the financial asset is a debt instrument, the following considerations apply to their rating and classification.

Amortised prime cost
Financial assets must be measured at amortised prime costs if they are held on the basis of a business model to collect contractual cash flows, and the contractual conditions of the financial asset generate cash flows, at a specified point in time, that only constitute payments of the principal and the interest on any principal outstanding.

Fair value through other comprehensive profit or loss
Assets measured at fair value other comprehensive P/L are financial instruments held on the basis of a business model that achieves its objective by collecting contractual cash flows and the sale of financial assets, and the contractual conditions of the financial asset generate cash flows, at a specified point in time, that only constitute payments of the principal and the interest on any principal outstanding.

Fair value to P/L

The category of financial assets measured at fair value through the P/L includes financial assets not included in any of the above two categories of financial assets, or at the time of their initial presentation they were specified as measured at fair value through the P/L.

When checking compliance with the SPPI requirements, the Company checks whether cash flows from the contract are consistent with the basic lending arrangements.

In order to be able to establish whether contractual cash flows only contain principal and interest, the Company checks the contractual terms and conditions of the financial instrument. It also checks whether the contract contains contractual terms and conditions that make the amount or timing of the contractual cash flows change in a manner that prevents the financial instrument from meeting the SPPI criterion.

All other debt instruments must be measured at fair value through profit and loss (FVTPL).

All equity instruments must be measured at fair value in the balance sheet, and recognise the impact in the change in fair value directly in the profit and loss accounts except for the equity instruments in respect of which the entity uses the Other comprehensive income option (FVOCI). The Company did not avail itself of the FVOCI option. The Company did not use the FVOCI option.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when the Company currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.1.10 Financial liabilities

The Company's statement of the financial position includes the following financial liabilities: accounts payable and other short-term liabilities, loans, issued own shares, and bank overdrafts. Their recognition and valuation are included in the relevant parts of the Notes to the financial statements as follows:

The Company valuates each financial liability at its fair value valid at the time of its initial recognition. In the case of loans and debts on issued bonds, the transactions costs directly attributable to the acquisition of the financial liability are also taken into consideration.

The financial liabilities subject to the IFRS 9 standard can be classified into two measurement categories: liabilities measured at amortised cost after acquisition, and liabilities measured at fair value through profit or loss after acquisition (FVTPL). The Company determines the classification of the individual financial liabilities when they are acquired. The Company did not use the FVTPL option.

Loans, advances and issued bonds are recognized in the statements of the financial position at the amortised cost calculated by the effective interest rate method. The profits and losses related to loans, advances and bonds are recognized in the income statement during the calculation of depreciation by the effective interest rate method and when the financial liability is deregulated. Amortization is accounted as financial expenditure in the statement on income.

2.1.11 Provisions

The Company recognizes provisions for (legal or assumed) commitments incurred as a result of past events the Company is expected to be required to pay, provided that the amount of the commitment is reliably measurable.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking the risks and uncertainties characteristic of the obligation into account. If a provision is measured using the cash flow probably required for the payment of the existing commitment, the book value of the provision is the present value of such cash flows.

If some or all of the expenditures required to settle a provision is expected to be reimbursed by another party, such a receivable is recognized as an asset if it is virtually certain that the entity will receive the reimbursement and the amount receivable is reliably measureable.

Existing obligations arising from onerous contracts are recognized as provisions. The Company considers a contract onerous if the unavoidable costs of meeting the obligations undertaken in the contract exceed the economic benefits expected to be received from the contract.

A restructuring provision is recognized if the Company has prepared a detailed formal restructuring plan and when the implementation of the plan is started or the main features of the plan are announced to the stakeholders, expectations are triggered in the stakeholders regarding the implementation of the transformation. The reorganization only includes direct expenditures incurred in relation to reorganization and are indispensable for reorganization, and do not relate to the business entity’s activity continued as a going concern.

2.1.12 Corporate tax and income type taxes

The amount payable as corporate tax is based on the act on dividend tax and on tax payment liability specified by the act on local business taxes, and is modified by the deferred tax. In its accounting policy, the Company decided to consider corporate tax and local business tax and income taxes. The corporate income tax liability includes tax components due in the reporting year and deferred taxes.

The tax payable for the current year is determined on the basis of the taxable profit of the reporting year. The taxable profit differs from the profit before taxes recognized in the separate report, due to profits and losses not constituting a tax base and to items that are recognized in the taxable profits of other years. The Company’s current tax payment liability is determined on the basis of the tax rate in force or announced (provided that announcement is equivalent to entry into force) up to the balance-sheet cut-off date. Deferred tax is calculated by the liability method.

Deferred tax liability is incurred when there is a temporary difference between the recognition of an item in the annual report and its reconciliation according to the Act on Taxation. Deferred tax assets and tax liabilities are established using the tax rates applicable to the taxable revenues in years when recovery of the difference is expected due to the time displacement. The amount of deferred tax liabilities and tax assets reflect the Company's estimate on the method of realizing tax assets and tax liabilities on the balance-sheet cut-off date.

Deferred tax assets are only included in the balance sheet with reference to deductible temporal differences, transferable tax benefits and a negative tax base, if in the course of its future activity the Company presumably realizes profit serving as a tax base and the deferred tax asset can be offset against it.

On every balance-sheet date the Company takes account of the deferred tax assets not recognized in the balance sheet and the book value of the recognized tax assets. It inventorises that part of the receivables not previously included in the balance sheet on which recovery is expected as a reduction in the future income tax. In contrast, the Company's deferred tax assets must be reduced by any amount not expected to be covered by any available taxable profit.

The tax due in the reporting year and deferred tax are offset against the equity if they refer to items also offset against the equity in the same or in another period*.*

Deferred tax assets may be offset against deferred tax liabilities if the company is authorized by law to offset its actual tax assets and tax liabilities due from and to the same tax authority, and the Company intends to recognize these assets and liabilities on a net basis.

2.1.13 Leasing

For the first time the Company applied the new leasing standard as from 1 January 2019 (Note 2.2). According to the IFRS 16 standard on leases, the lessee must simultaneously account and quantify a right to use among assets and a related financial liability among liabilities. The right to use assets is measured similarly to other non-financial assets and depreciation is also recognised accordingly**.** Initially, lease liabilities are measured at present value during the lease term, and this present value is calculated with the help of the implicit interest rate if such an interest rate can be accurately specified. If this interest rate is difficult or impossible to determine, the lessee may use the incremental borrowing rate for discounting purposes.

The Company has decided not to recognise assets encumbered by use rights and leasing liabilities in the case of small-value assets and short-term leases. The Company recognises the lease charges related to such a leasing as costs by the linear method during the lease term. The Company present the assets encumbered by the right of use under leasing in the balance sheet line “Tangible assets”, in the same line where other assets of the same character are presented.

Leasing liabilities were determined at the present value of the remaining lease charges, discounted by the borrowing rate of interest valid on 1 January 2019. Previously, in the case of assets recognised as financial leasing the Company determined the book value of the leasing liability directly at the book value of the asset encumbered by use rights and of the leasing liability presented before the adoption of the new system, at the time of the initial application.

The Company applied the following practical solutions allowed by the standard during the first application of IFRS 16:

- reliance on the previous measurements in relation to deciding whether a contract was a lease contract or included leasing,
- the recognition of operative leasing with a term to maturity less than 1 year on 1 January 2019 is considered as short-term leasing
- dispensing with the initial direct costs in the determination of the right to use at the time of initial application and
- the application of subsequent measurement when the term of the leasing is set, if the contract includes options for the renewal or termination of the leasing.

2.1.14 Earnings per share (EPS)

The return on a share is determined with a view to the Company’s profit and shares reduced by the average portfolio of own shares repurchased in the period reviewed.

The diluted earnings per share are calculated similarly to the earnings per share. However, during calculation all the outstanding shares suitable for dilution are taken into account, increasing the return payable on ordinary shares by the dividend and return on the convertible shares that can be taken into account in the given period, modified by any additional revenues and expenditure arising from conversion, increasing the weighted average number of outstanding shares by the weighted average number of those shares that would be outstanding if all the convertible shares were converted. No transaction was concluded either in the year ended 31 December 2018 or in the one ended 31 December 2019 that would dilute the value of the EPS ratio.

2.1.15 Deposits provided by tenants

Deposits placed by tenants are recognised at their initial fair value, and they are measured at amortised cost determined at the effective interest rate method in subsequent periods. Deposits placed by tenants in relation to long-term leases are presented as long-term liabilities. The remaining deposits by tenants are presented as other liabilities in the separate financial statements.

2.1.16 Off-balance sheet items

Off-balance sheet liabilities are not included either in the balance sheet or in the income statement comprising the annual report, unless they have been obtained in the course of business combinations. They are presented in the Notes, unless the outflow of funds representing economic benefit is a remote option of a very slight probability Off-balance sheet items are not included in the financial statements, however, if the influx of business benefits is likely, they are presented in the Notes.

2.1.17 Repurchased own shares

The value of repurchased equity shares is deducted from the equity. The difference between the nominal value and direct cost is recognised directly in the capital reserve in the course of sale.

2.1.18 Dividend

The Company accounts for dividend in the year it is approved by the owners.

2.1.19 P/L on financial operations

The financial P/L includes interest and dividend revenues recognised with the effective interest rate method, interest and other financial expenditures recognised with the effective interest rate method, profit and loss on the fair valuation of financial instruments, and any realized or non-realized exchange rate differences.

2.1.20 Events after the balance-sheet cut-off date

The events that took place after the end of the reporting period and provide additional information about the circumstances prevailing at the end of the Company’s reporting period (amending items) are presented in the report. The events that took place after the reporting period and not requiring the modification of the reporting data are presented in the Notes, if relevant.

2.2 Changes in the accounting policy

The Company has compiled its financial statements in accordance with the provisions of all the standards and interpretations that entered into force on 31 January 2019.

The Company's accounting policy is consistent with the one used in previous years with the following exceptions:

IFRS 16 Leasing (effective as from 1 January 2019)

On 13 January 2016, IASB published a new standard about the recognition of leasing transactions. The application of the new leasing standard will be mandatory for the companies that adopt the IFRS in respect of the reporting periods beginning on or after 1 January 2019. The new standard replaced the previous regulations set out in IAS 17 and IFRIC 4 on lease, and fundamentally changed the previous practice of accounting operative leasing.

The Company analysed the effects of the amendments and found that they had an insignificant impact on the financial statements, as its lease contracts existing on 1 January 2019 matured within a year, and thus it used the exemption option given in the standard.

The standards and interpretations issued by IASB but not yet adopted by the EU and not expected to have any impact on the Company's financial statements:

When the financial statements were approved, the following standards and interpretations had already been issued but they had not yet entered into force.

- IFRS 17 Insurance contracts – (in force in business years starting on or after 1 January 2021, the EU has not yet approved this amendment).
- Amendment of IFRS 3 on "Business combinations" (n force in business years starting on or after 1 January 2020 , this amendment has not yet been approved by the EU).
- Amendments in the presentation of IAS 1 – Accounting Policies, and changes in IAS 8 – Accounting Estimates and Errors: Specification of the level of significance (in force in business years starting on or after 1 January 2020).
- IFRS 9 – "Financial instruments" and IAS 39 – "Financial Instruments": Presentation and measurement and IFRS 7, 'Financial instruments': Amendment of the disclosure (in force in business years starting on or after 1 January 2020).

The above-referenced standards and amendments are not expected to have significant effects on the Company's P/L.
In 2019 the Company applied all the IFRS standards, amendments and interpretations effective as from 1 January 2019 and relevant for the operation of the Company.

2.3 Significant accounting estimates and assumptions

When the accounting policy described in Section 2.1 is applied, estimates and assumptions not clearly definable from other sources need to be used for the determination of the values of the individual assets and liabilities at the given moment of time. The estimation procedure includes the decisions adopted on the basis of the available information and the relevant factors. These significant estimates and assumptions influence the value of the assets and liabilities, revenues and expenditures recognized in the financial statements, as well as the presentation of contingent assets and liabilities in the Notes. The actual results may differ from the estimated data.

The estimates are updated on a regular basis. If a change only affects one given period, it must be recognized in the period of change in accounting estimates, and if the change affects both the period of change and future periods, it must be recognised in both periods.

The main areas of the critical decisions made on the uncertainty of estimation and on the accounting policy, which have the most significant impact on the separate financial statements include the following:

2.3.1 Classification of real estate properties

The real estate properties owned by the Company are classified as investment property and property for development upon recognition as follows:

- An investment property is real property (land and/or buildings) typically purchased by the Company to earn rentals or for capital appreciation. The Company does not utilise these properties (typically office buildings, commercial outlets, warehouses and factory buildings) for its own purposes.
- Development properties are properties to be invested in, developed and sold by the Company in the near future.
- Properties used by the Group for its own purposes are rated as fixed assets.

2.3.2 Fair value of investment properties

The determination of the fair value of investment property is largely based on estimates and assumptions, therefore, the actual value may differ significantly from the estimated value. The determination of the fair value of investment property is based on the Company's own appraisals and those by independent experts. The principles of measurement and the parameters applied are specified in Note 15.

2.3.3 Depreciation and amortisation

Property, plant and equipment and intangible assets are accounted at direct cost, and are written of linearly during their useful lives. For the years ended 31 December 2019 and 31 December 2018 the Company recognised HUF 9,049,000 and HUF 4,653,000 as depreciation and amortisation expenditures, respectively. The useful lives of assets are determined on the basis of pervious experiences with similar assets and of changes that take place in the expected technological development and the wider economic or sectoral factors. The estimated useful lives are supervised annually.

3. Sales revenue from property lease

The core activity of the company includes renting and operation of real properties held in the Company’s ownership, asset management and corporate management.

The Company's activities include renting and operating of own or leased real estate as well as asset management and corporate management.

The Company has been earning income from the real property at 105 Andrássy út provided as in-kind contribution in December 2017 and renovated in the reporting year since 1 September 2018, and the revenues collected from the 18 commercial properties rented by SPAR are recognised in the 2018 annual P/L as data for an incomplete year.

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018 (amended Note 41)
Office rental	492,185	272,731
Car park rental	37,112	27,572
Warehouse rental	9,895	10,820
Revenue from accepting service (domiciliataire) on behalf of companies	15	15
Total	**539,207**	**311,138**

4. Direct costs of property rental

The direct costs of renting out real estate increased significantly in proportion to sales thanks to portfolio cleansing and an increase in the real property portfolio.

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018 (amended Note 41)
Taxes on land and buildings	(26,616)	(20,103)
Water, natural gas and electricity	(191)	-
Management, maintenance, material and service provision	(179)	-
Insurance premium	(11,741)	(1,595)
Other	42	-
Total	**(38,685)**	**(21,698)**

5. Revenues from services charges from subsidiaries

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Apenninn Property Vagyonkezelő Zrt.	5,000	5,000
Appeninn-Bp1047 Zrt.	5,000	5,000
Appeninn E-Office Zrt.	100,000	50,000
Appeninn Üzemeltető Zrt.	35,000	35,000
Bertex Kft.	5,000	5,000
Curlington Kft.	1,000	5,000
Szent László Téri Szolgáltató Ház Kft.	5,000	10,000
Felhévíz-Appen Kft.	5,000	5,000
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	1,000	15,000
APPEN-Retail Kft.	5,000	5,000
Sectura Ingatlankezelő Kft.	1,000	5,000
VCT78 Ingatlanhasznosító Kft.	5,000	5,000
Appeninn A59 Kft.	10,000	10,000
Appeninn Project-BTBG Kft.	-	1,000
Appeninn Project-EGRV Kft.	1,000	5,000
Appeninn Project-MSKC Kft.	10,000	5,000
Appeninn BLT Kft.	1,000	5,000
PRO-MOT Hungária Kft.	25,000	-
Total	**220,000**	**176,000**

6. Administration costs, service fees, wages

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Bank charges	(2,191)	(7,416)
Bookkeeping, auditing and legal charges	(102,530)	(149,593)
Asset management and consultancy	(104,580)	(46,901)
Share (Clearing House, Budapest Stock Exchange, securities charge)	(8,193)	(10,500)
Rents and stationary	(19,737)	(12,122)
Liability insurance	(1,569)	(1,026)
Charges and duties payable to authorities	(62)	(21,762)
Training, information technological and other services	(336)	(38,018)
Staff costs, wages and wage taxes	(107,110)	(90,008)
Other	(8,255)	(788)
Total	**(354,563)**	**(378,134)**

Bank charges, legal and attorney fees represent a large portion. They are related to the transactions conducted in 2018 H1 and the refinancing of large amount bank loans.

7. Balance if other revenues and expenditures

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Other small-amount cost reimbursements	(154)	109
Default interest, supplements and penalties paid	(61)	(3,202)
Total	**(215)**	**(3,093)**

8. Profit (loss) on the sale of subsidiaries and investments

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Profit / impairment on the sale of Appeninn Credit Zrt.	-	13,920
Total	**-**	**13,920**

The Appeninn Nyrt, recorded its 100% share in Appeninn Credit Zrt, as a short-term investment in 2017. The share held in Appeninn Credit Zrt. was sold in 2018. The Company recognised HUF 13,920 thousand in profit on the sale.

The Company established Appeninn Project K39 Kft, with its subscribed capital amounting to HUF 3,000,000 and sold it for HUF 3,000,000 on 14 December 2018.

9. Profit on the revaluation of income-generating investment properties

The fair value of the Company's assets is determined annually. Based on the results of fair value valuation, the Company charges each change to profit/loss. Regarding purchase rights on real properties, if they are lower than the fair value of the real properties and the buyer has paid the owner the fee charged for the purchase right, the Company presents the lower of the fair value and the price of the purchase right in the balance sheet.

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
H-6000 Kecskemét, Kiskőrösi utca 30.	244,120	347,093
H-1062 Budapest, Andrássy út 105.	-	385,497
H-1082 Budapest, Üllői út 48.	1,490,567	1,412,237

Fair value changes, total	**1,734,687**	**2,144,827**

In December 2019, the Company contributed its property located at H- 1062 Budapest, Andrássy út 105. into its newly established company, Appeninn 105 Realty Project Kft, and so the real property was derecognised.

Every year, the Company determines the fair value of the properties. In addition to the valuation performed by the Company, an independent expert also reviewed the value of the real property portfolio. The value determined by the independent valuer is consistent with the value recognised in the financial statements. The independent valuer engaged to act for the Company between 2014 and 2019 Jones Lang LaSalle Kft, (Széchenyi tér 7-8,, 1051 Budapest, hereinafter: "JLL Kft."). The review established that the analysis conducted by JLL Kft, was as follows:

- the appraiser's method and the application of the method were in conformity with the approach adopted in national and international practice,
- The mean values derived from the market price in the appraiser's report by JLL Kft, are identical to those determined by Robertson Hungary Kft, in respect of the individual real properties, and all the values remained within the valuation range.
- The lease fees charged were in conformity with the current market fees.
- Investors' return expectations: the rates included in the appraiser's capitalised rate and discount rate are in conformity with the public data on transactions conducted in the individual real property types over the past 12 months.

Valuation principles:
The fair value of completed investment properties and those under construction, if the fair value of the latter can be determined reliably, is determined on the basis of market price-based appraisals. If the fair value of an investment property under construction cannot be determined reliably (due to a low level of completion, the unique character of the real property and/or the complete lack of market transactions), the carrying value is measured at cost less any potential impairment.

Valuation methods:
Valuations were made in an income approach, by the discounted cash flow method and the sale comparison method. The present value cash flows generated by real properties is determined at a market-based discount rate reflecting investors' return expectations. The current prices of cash-flows generated by the property were determined by the application of a market-based discount rate that reflects investors' yield expectations. A periodic cash flow is equal to income less the costs of property operation and maintenance, with any unused space excluded. The fair value of the real property is the sum of periodic cash flows and residual value determined at the end of the period when estimates are made discounted to present value.
The valuation model used same variables in years 2017 and 2018: average rental fee, market fee, usage of the property (occupancy) and exit yield with discount rate. These values are based on market observations, and were adjusted due to the local situation of the particular property. Due to such adjustments, all the variables used were classified as level 3.

The valuation methods remained unchanged in 2018 and 2019. The valuation method applied is consistent with the valuation techniques described in IFRS 13.

The valuation expressed on the face of the valuation the marketable comparable prices.

Sensitivity test:
The DCF model variables used, and values resulted are presented in the previous table. Shifts in the variables of the model were tested. The aggregation of the variables in the DCF model leads to a terminal value. Another sensitive variable of the value of the model is the annual rent. The impact in a breakdown by real property of a minus 5% and a plus 5% shift in model variables on fair value valuation and fair values are presented on the basis of the matrix of the shifts in these two model variables.

EUR	2019	2018
+5%	27,090,000	24,780,000
-5%	24,510,000	22,420,000

Ser.#		type	2019 Comparable price	DCF model value	Value on cut-off date	Measurement method	Model variable mean values in the DCF model: Exit charge	Rent EUR/sq. m/month	Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%) Rent change test (+5%)	Discount rate	Mortgage
10	H-6000 Kecskemét, Kiskőrösi utca 30.	business site	3,700,000	3,900,000	3,900,000	DCF model	11.00%	office: 4, warehouse: 2	3,705,000	4,095,000	11.50%	available
12	H-1082 Budapest, Üllői út 48.	office	21,900,000	22,700,000	22,700,000	DCF model			20,805,000	22,995,000		available
					30,500,000							

Ser.#		type	2018 Comparable price EUR	DCF model value EUR	Value on cut-off date EUR	Measurement method	Model variable mean values in the DCF model: Exit charge	Rent EUR/sq. m/month	Exit yield change test: (-5%), Rent change test (-5%)	Exit yield change test (+5%) Rent change test (+5%)	Discount rate	Mortgage
10	H-6000 Kecskemét, Kiskőrösi utca 30.	business site	2,600,000	3,500,000	3,500,000	DCF model	11.00%	office: 4, warehouse: 2	3,325,000	3,675,000	11.50%	available
11	H-6000 Kecskemét, Kiskőrösi utca 30. (discounted value of a call option)	business site	(250,000)		(250,000)	option discount			-	-		
12	H-1062 Budapest, Andrássy út 105.	office	3,900,000	3,900,000	3,900,000	DCF model	7.00%	office: 14	3,705,000	4,095,000	7.50%	none
13	H-1082 Budapest, Üllői út 48.	office	18,700,000	16,200,000	18,700,000	comparative			15,390,000	17,010,000		available
					25,850,000							

10. Capital investments in properties

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Capital investments in properties	(6,601)	(12,375)
Total	**(6,601)**	**(12,375)**

The Company regularly maintains its investment properties. Maintenance is needed for the preservation of the value of the real properties and means the adjustment of their condition to market classification. The Company hires contractors usually carrying out complex work for the Company to perform maintenance. The future value of maintenance expenses constitutes part of the Company's property appraisal and is included in the calculation of future cash flows as periodic expenses charged to income. As a result, the Company's fair value valuation based on future cash flows is in keeping with the Group's realised profit and cash flow expenses,

11. Other expenses on and incomes from financial operations

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Price margin of financially settled items	(164,466)	12,873
End-of-year revaluation of assets and liabilities denominated in foreign exchange	70,742	(188,785)
Total	**(93,724)**	**(175,912)**

12. Balance of interest revenues and expenses

HUF '000'	For the business year ended 31/12/2019	For the business year ended 31/12/2018
Interest and interest-type income received or due (paid/payable interest):		
Apenninn Property Vagyonkezelő Zrt.	2,095	7,484
Appeninn Property Vagyonkezelő Zrt.	-	(149)
Appeninn-Bp1047 Zrt.	451	349
Appeninn E-Office Zrt.	17,463	7,835
Appeninn Üzemeltető Zrt.	(767)	(767)
Bertex Kft.	(3,192)	(1,970)
Bertex Kft.	-	60
Curlington Kft.	11,721	10,976
Szent László Téri Szolgáltató Ház Kft.	13,222	13,,315
Felhévíz-Appen Kft.	4,085	3,489
APPEN-Retail Kft.	(459)	(1,009)
APPEN-Retail Kft.	-	156
Sectura Ingatlankezelő Kft.	81	81
VCT78 Ingatlanhasznosító Kft.	492	356
Appeninn A59 Kft.	(2,721)	(613)
Appeninn Project-BTBG Kft.	427	215
Appeninn Project-EGRV Kft.	3,344	1,009
Appeninn Project-MSKC Kft.	17,945	7,514
Appeninn BLT Kft.	56,863	5,670
Appeninn Hegyvidék Kft.	(6,683)	-
PRO-MOT Hungária Kft.	246	-
Interests received from (paid to) other companies:		
Konzum PE Magántőkealap	(144,425)	(32,408)
Appeninn Credit Zrt.	-	(457)
Bank interests	(58,157)	(39,796)
Interest received from undertakings	1	48
Interests from issued bonds	(74,177)	(25,700)
Interests from bonds issued and repurchased	-	22,220
Balance of interest revenues and expenses	**(162,145)**	**(22,092)**
Interest received, total	128,436	80,777
Interest paid, total	(290,581)	(102,869)
Balance of interest revenues and expenses	**(162,145)**	**(22,092)**

The increased balance of interest expenses is due to increase in loans, and to the fact that the interest payable to Konzum PE on its loan was only present for a fragment of the year in 2018.

13. Income taxes

The expenditures related to income taxes include the following:

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
Corporate income tax	(6,424)	(1,246)
Deferred tax	(146,345)	(114,554)
Business tax	(14,935)	(10,705)
Total	**(167,704)**	**(126,505)**

Appeninn Nyrt.'s tax assets due to its negative tax base were generated before 2014 and can be used up to 2025 according to the Accounting Act.

The balance of deferred losses that can be carried over was HUF 955,826,000 as at 31 December 2019 against HUF 863,927,000 on 31 December 2018.

The tax breakdown is the following:

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
P/L before taxes	1,828,913	2,027,928
Tax payment liability calculated on the basis of the current tax rate 9%	(164,602)	(182,513)
Business tax	(14,935)	(10,705)
Previously non-capitalised losses carried forward	11,833	66,713
Income taxes total	**(167,704)**	**(126,505)**

Tax rates	**For the year ended 31/DEC/2019**	**For the year ended 31/12/2018**
Local business tax	2%	2%
Corporate income tax	9%	9%

The following table below shows the calculation of the difference between the tax liability calculated on the basis of the accounting profit and the actual tax liability.

	HUF '000
Profit before taxation according to IFRS	**1,828,913**
Transfer of local business tax into the tax base	(14,935)
Recognition of depreciation on assets valuated under IAS 40	(142,619)
Impact of fair valuation as per IAS 40	(1,394,296)
Recognition of unused holidays	(2,492)
Amortised historical cost of bonds	(39,701)
Other adjustments	(2,101)
Adjusted profit before taxes	**232,769**
Depreciation in accordance with the Act on Corporate Income	241,659
Amount used of losses carried forward	71,382
Reversed impairment on accounts receivable	54
Items reducing the tax base	**313,095**
Depreciation as per the accounting act	151,668
Receivables forgiven	5
Fine established in a non-appealable ruling	34
Items increasing the tax base	**151,707**
Tax base according to corporate tax	**71,381**
Expected tax	
revenues total	1,594,421
Tax base on the minimum income (profit) 2%	31.888
Tax (9%)	**6,424**

14. Earnings per share

For the purposes of calculating the fund's earnings per share, the profit after taxes available for allocation to the shareholders and the average number of issued ordinary shares must be taken into account, excluding the Company's own shares.

	For the year ended 31/12/2019	**For the business year ended 31/12/2018**
P/L after taxes (HUF '000')	1,661,208	1,901,423
Weighted average number of issued ordinary shares	47,327,109	44,913,953

Earnings per share (base, HUF)	**35.1**	**42.33**

The Company was not affected by any factor either in 2019 or in 2018 that would have diluted the earnings per share.

15. Income-generating investment properties

Changes in the opening and closing value of the Company's investment property portfolio included following:

HUF '000'	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Opening value	**8,311,034**	**1,566,207**
H-1082 Budapest, Üllői út 48.	6,012,237	-
Kecskemét, Kiskőrösi utca 30.	1,044,908	697,815
H-1062 Budapest, Andrássy út 105.	1,253,889	868,392
annual change:		
Properties contributed/taken over in kind	**(1,253,889)**	**4,600,000**
H-1082 Budapest, Üllői út 48.	-	4,600,000
H-1062 Budapest, Andrássy út 105.	(1,253,889)	-
Change in fair value	**1,734,687**	**2,144,827**
H-1082 Budapest, Üllői út 48.	1,490,567	1,412,237
H-1062 Budapest, Andrássy út 105.	-	385,497
Kecskemét, Kiskőrösi utca 30.	244,120	347,093
Closing	**8,791,832**	**8,311,034**
H-1082 Budapest, Üllői út 48.	7,502,804	6,012,237
H-1062 Budapest, Andrássy út 105.	-	1,253,889
Kecskemét, Kiskőrösi utca 30.	1,289,028	1,044,908

The Company's portfolio of income-generating assets grew significantly by a total amount of EUR 4,6 million through the in-kind contribution of Ü48 Office Block in 2018, However, these real properties only started to generate income on 11 April. In the course of 2019, the Company contributed its property located at H- 1062 Budapest, Andrássy út 105. into its newly established subsidiary.

16. Tangible assets

The Company records equipment and office supplies as tangible assets.

HUF '000'	**Total**
Gross value	
as at 31 December 2017	**7,309**
Increase and reclassification	53,504
Decrease and reclassification	
as at 31 December 2018	**60,813**
Increase and reclassification	5,235
Decrease and reclassification	(51,653)
as at 31 December 2019	**14,395**
Accumulated depreciation	
as at 31 December 2017	**5,618**
Annual write-off	4,653
Decrease	
as at 31 December 2018	**10,271**
Annual write-off	9,049
Decrease	(10,308)
as at 31 December 2019	**9,012**
Net book value	
as at 31 December 2017	**1,691**
as at 31 December 2018	**50,542**
as at 31 December 2019	**5,383**

17. Ownership interests

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018	Ownership ratio 2019	Ownership ratio 2018
Appeninn Property Vagyonkezelő Zrt.	166,366	166,366	100%	100%
Appeninn-Bp 1047 Zrt.	30,508	30,508	100%	100%
Appeninn E-Office Vagyonkezelő Zrt.	5,256,668	5,256,668	100%	100%
Appeninn Üzemeltető Zrt.	-	-	100%	100%
Bertex Ingatlanforgalmazó Zrt.	212,062	212,062	100%	100%
Curlington Ingatlanfejlesztési Kft.	44,096	44,096	100%	100%
Szent László téri Szolgáltatóház Kft.	173,230	173,230	100%	100%
Appeninn A59 Kft.	2,212,170	2,212,170	100%	100%
Appeninn Project-BTBG Kft.	-	3,000	-	100%
Appeninn Project-EGRV Kft.	3,000	3,000	100%	100%
Appeninn Project-MSKC Kft.	3,000	3,000	100%	100%
Appeninn BLT Kft.	3,000	3,000	100%	100%
Appeninn 105 Realty Project Kft.	1,291,327	-	100%	-
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	183,202	-	100%	-
Shares and participations, total	**9,578,629**	**8,107,100**		

Accumulated impairment, total:

HUF '000'	**Total**
as at 31 December 2017	**270,939**
Increase	-
as at 31 December 2018	**270,939**
Increase	-
as at 31 December 2019	**270,939**

Accumulated impairment was recognised in the amount of HUF 5,000,000 in respect of the participation in Appeninn Property Vagyonkezelő Zrt., HUF 5,000,000 in respect of participation in Appeninn Üzemeltető Zrt., and in the amount of HUF 260,939,000 for the share in Szent László téri Szolgáltatóház Kft. The Company reviewed impairment in subsidiaries and did not find any indication of impairment on 31 December 2019.

By contributing one of its real properties, during 2019 the Company established Appeninn 105 Realty Project Kft.

In 2019 the Company sold its share in Appeninn Project-BTBG Kft at prime cost.

At the end of 2019, the Company purchased 100 per cent of the shares in Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft. by offsetting accounts receivable from Curlington Ingatlanfejlesztési Kft.

The Company performed a capital increase in Appeninn Property Vagyonkezelő Zrt, in 2018.

Appeninn Project-BTBG Kft,, Appeninn Project-EGRV Kft,, Appeninn Project-MSKC Kft, and Appeninn Project-BLT Kft, were incorporated in 2018.

The total amount (100 per cent) of Appeninn A59 Kft.'s shares was purchased.

On 30 November 2018, the Company established Appeninn Project K39 Kft. with a subscribed capital amounting to HUF 3,000,000 and sold it for HUF 3,000,000 on 14 December 2018.

The Company had the following direct participations in other businesses:

Name of the subsidiary	**Parent company**	**Ownership and voting ratio**		**Address**
		2019	**2018**	
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	Curlington Ingatlanfejlesztési Kft.	-	100%	H-1118 Budapest, Kelenhegyi út 43.
Appen-Retail Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Felhévíz-Appen Kft.	Appeninn Property Vagyonkezelő Zrt.	100%	100%	H-1062 Budapest, Andrássy út 59.
Sectura Ingatlankezelő Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	H-1062 Budapest, Andrássy út 59.
VCT78 Ingatlanhasznosító Kft.	Szent László téri Szolgáltatóház Kft.	100%	100%	H-1062 Budapest, Andrássy út 59.
PRO-MOT Hungária Kft.	Appeninn BLT Kft.	74.99%	-	H-1062 Budapest, Andrássy út 59.

18. Trade receivables

HUF '000'	**For the year ended 31/12/2019**	**For the business year ended 31/12/2018**
Gross value of trade receivables	87,605	55,940
Impairment (Mikepércsi út 132 Kft.)	(4,512)	(4,512)
Net trade receivables, total	**83,093**	**51,428**

19. Other short-term receivables

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
Tax assets	6,978	29,468
Downpayment	15,040	-
Other	3,239	-
Total	**25,257**	**29,468**

20. Receivables from related parties:

Claims from related companies included invoiced holding fees, interest and principal debt, dividends from subsidiaries and other receivables.

The Company acquired its liabilities to the former owners of the purchased subsidiaries at a price below the book value of the liabilities. The values presented are the difference between the purchase price of the receivables and the value of the liabilities recorded by the subsidiary and booked by the Company as a discount.

HUF '000'	**Trade and other receivables**		**Loan and interest receivables**		**Total**	
	For the year ended 31/12/2019	**For the year ended 31/12/2018**	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Appeninn-Bp 1047 Zrt.	16,510	8,810	24,636	23,054	**41,146**	**31,864**
Appeninn Property Vagyonkezelő Zrt.	12,700	6,905	81,298	132,006	**93,998**	**138,911**
Bertex Ingatlanforgalmazó Zrt.	20,604	12,904	-	-	**20,604**	**12,904**
Appeninn E-Office Zrt.	191,977	79,666	3,676,993	339,530	**3,868,970**	**419,196**
Felhévíz-Appen Kft.	13,335	5,635	127,831	122,246	**141,166**	**127,881**
APPEN-Retail Kft.	13,970	6,270	-	-	**13,970**	**6,270**
Sectura Ingatlankezelő Kft.	8,890	6,270	2,540	2,459	**11,430**	**8,729**
Szent László Téri Szolgáltató Ház Kft.	26,680	17,630	312,704	299,482	**339,384**	**317,112**
VCT78 Ingatlanhasznosító Kft.	10,160	8,810	15,530	13,537	**25,690**	**22,347**
Curlington Kft.	7,620	5,000	15,141	166,022	**22,761**	**171,022**
Appeninn Hegyvidék Ingatlankezelő és Ingatlanforgalmazó Kft.	21,590	16,270	-	193,056	**21,590**	**209,326**
Appeninn Üzemeltető Zrt.	88,900	35,000	-	-	**88,900**	**35,000**
Appeninn A59 Kft.	-	10,000	-	-	**-**	**10,000**
Appeninn Project-BTBG Kft.	-	1,000	-	51.865	**-**	**52,865**
Appeninn Project-EGRV Kft.	1,270	5,000	59,464	111,974	**60,734**	**116,974**
Appeninn Project-MSKC Kft.	12,700	5,000	553,297	537,752	**565,997**	**542,752**
PRO-MOT Hungária Kft.	31,750	-	22,747	-	**54,497**	**-**
Appeninn BLT Kft.	7,620	5,000	5,946,922	971,754	**5,954,542**	**976,754**
Appeninn 105 Realty Project Kft.	1,752	-	-	-	**1,752**	**-**
Receivables from related companies, total	**488,028**	**235,170**	**10,839,105**	**2,964,737**	**11,327,131**	**3,199,907**

Discount values recognised on purchased accounts receivable

Appeninn E-Office Zrt.	403,611	403,611
Curlington Kft.	181,922	181,922
Szent László Téri Szolgáltató Ház Kft.	105,306	105,306
Discount, total	**690,839**	**690,839**

21. Shot-term loans granted

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
Mikepércsi út 132 Kft.	21,788	21,788
Impairment on Mikepércsi út 132 Kft.	(21,788)	(21,788)
Hattyúház Társasház Közösség	2,247	2,247
Total	**2,247**	**2,247**

22. Accruals

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
Prepaid and accrued income	4	2,857
Prepaid and accrued costs	80,984	3,174
Total	**80,988**	**6,031**

23. Cash and cash equivalents

HUF '000'	For the year ended 31/12/2019	For the business year ended 31/12/2018
Cash on hand	35	11
Bank account HUF	1,445,474	2,490
Bank account EUR	223	290
Tied-up short-term bank deposits	10,000,000	-
Total	**11,445,732**	**2,791**

24. Subscribed capital

Appeninn Vagyonkezelő Holding Nyrt.’s shares were listed on the Budapest Stock Exchange as publicly traded shares on 2 July 2010.

Appeninn Nyrt. share data	
nominal value	100
currency	HUF
ISIN code	HU0000102132
Place of marketing	Budapest Stock Exchange Zrt. share division
Commencement of marketing	2 July, 2010
Maintenance of the shareholders’ register	Board of Directors of Appeninn Nyrt. H-1118 Budapest, Kelenhegyi út 43.
Number of shares traded, 31/12/2019	47,371,419
Number of shares traded, 31/12/2018	47,371,419

HUF ‘000'	**For the year ended 31/12/2019**	**For the year ended 31/12/2018**
Value of the subscribed capital		
Opening value on 1 January:	4,737,142	4,089,255
Output	-	647,887
Closing value as at 31 December:	4,737,142	4,737,142

The Company’s subscribed capital is HUF 4,737,142,000 consisting of 47,371,419 shares each representing a nominal value of HUF 100.

Based on a resolution adopted by the Company’s General Meeting on 21 April 2018, the Company decided to issue 6,478,874 ordinary shares, and this was registered by the Budapest Companies Court on 9 May 2018.

The Company and KONZUM II Real Property Investment Fund entered into an agreement on in-kind contributions on 11 April 2018 to the effect that the Fund places the real property located at 1082 Budapest, Üllői út 48, title deed number 36372, within the city limits of Budapest, as in-kind contribution at the Company's disposal. As a result of the transaction, the Company increased its share capital and issued 6,478,874 dematerialised ordinary shares each with a face value of HUF 100 simultaneously. Through the purchase of Ü48 Irodaház with a floor area of 8,145 m2, the Company included another category A office building in its property portfolio.

25. Repurchased own shares

	For the year ended 31/12/2019		For the year ended 31/12/2018	
	HU '000'	number	HU '000'	number
Opening value	1,114	1,848	-	-
Purchase of equity	-	-	49,940	82,656
Contribution of own shares for dividend payment	-	-	(822)	(1,174)
Sale of equity	-	-	(48,004)	(79,634)
Closing	**1,114**	**1,848**	**1,114**	**1,848**

26. Reserves

	For the year ended 31/12/2019			For the year ended 31/12/2018		
	HU '000'	number of issued shares	Premium (HUF per piece)	HU '000'	number of issued shares	Premium (HUF per piece)
Opening	**8,095,844**	**47,371,419**	**171**	**3,630,418**	**40,892,545**	**89**
Issue of shares with premium 11/04/2018				3,952,113	6,478,874	610
Reclassification from the retained earnings				513,313		
Closing balance as at 31 December:	**8,095,844**	**47,371,419**	**171**	**8,095,844**	**47,371,419**	**171**

27. Accumulated P/L

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Opening balance	**2,085,818**	**696,287**
P/L for the reporting year	1,661,208	1,901,423
Sale of equity shares	-	1,421
Reclassification to the capital reserve	-	(513,313)
Closing	**3,747,026**	**2,085,818**

Equity compliance table:

According to Section 114/B in the Hungarian Accounting Act, the annual financial statements must include a statement of the differences between the recognition of the equity as per the Hungarian Accounting Act and as per IFRS.

HUF '000'	According to the IFRS standards:	Reclassification	According to the Hungarian classification rules
Subscribed capital	4,737,142		4,737,142
Issued, but unpaid capital	-		-
Own shares repurchased	(1,114)	1,114	-
Capital reserve	8,095,844		8,095,844
Reserves			
Retained earnings	3,747,026	(1,661,208)	2,085,818
Valuation reserve	-		-
Fixed reserves	-		-
P/L after taxes	-	1,661,208	1,661,208
Balance as at 31 December 2018	**16,578,898**	**1,114**	**16,580,012**

Disposable profit reserve available for dividend payment	
Profit reserve as per IFRS	3,747,026
Reduced by: the accumulated unrealised amount recognised due to the increase in the standard fair value under the IAS 40 Investment Property standard	(3,968,028)
Increased by: the accumulated amount of income tax accounted on the basis of the IAS 12 Income Taxes standard	357,123
Profit reserve available for dividend payment	**136,121**

28. Deposits provided by tenants

HUF '000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Deposits by tenants	19,937	11,937
Total	**19,937**	**11,937**

In this line the Company recognises the downpayment deposited by tenants.

29. Debts from issued bonds

On 22 November 2019, the Company issued bonds in an amount of HUF 20,000,000,000 through the Funding for Growth Scheme launched by the National Bank of Hungary. The bonds were registered at a value of 108,113 including exchange rate gain. The consideration for the bond was paid to the Company. The bonds will expire on 22 November 2029, when the principal amount of the bonds (HUF 20,000,000,000) will become payable in a lump sum. Interest is payable on the bonds at a rate 3.5 per cent. The bonds were recognised at an amortised prime cost with an effective interest rate at 3.459 per cent.

The HU0000356639 interest-bearing EURO bond issued by Appeninn Nyrt, on 11 September 2015 expired on 10 September 2018, and the outstanding EUR 200,000 bond debt was settled.

The Company fulfilled its principal and interest payment liabilities arising from the HU0000354337 bond in February 2017. It fulfilled its principal and interest payment obligations arising from the HU0000354337 bond on 10 September 2018.

30. Long- and short-term liabilities to related parties

HUF '000'	Trade and other payables		Loan and interest liabilities		Total	
	For the year ended 31/12/2019	For the year ended 31/12/2018	For the year ended 31/12/2019	For the year ended 31/12/2018	For the year ended 31/12/2019	For the year ended 31/12/2018
Bertex Ingatlanforgalmazó Zrt.	-	-	259,987	65,147	**259,987**	**65,147**
Appeninn E-Office Zrt.	2,001	-	5,812	5,812	**7,813**	**5,812**
Felhévíz-Appen Kft.	-	-	42,940	42,940	**42,940**	**42,940**
APPEN-Retail Kft.	-	-	14,978	14,519	**14,978**	**14,519**
Appeninn Üzemeltető Zrt.	(988)	11,805	24,082	23,315	**23,094**	**35,120**
Appeninn Credit Zrt.	-	-	457	457	**457**	**457**
Appeninn Hegyvidék Kft.	-	-	202,627	-	**202,627**	**-**
Konzum II Real estate funds	-	18,676	-	-	**-**	**18,676**
Dividend debt	11,443	11,475	-	-	**11,443**	**11,475**
Appeninn A59 Kft.	5,162	10,416	84,050	56,328	**89,212**	**66,744**
Short-term liabilities to related companies, total	**17,618**	**52,372**	**634,933**	**208,518**	**652,551**	**260,890**
Konzum PE Magántőkealap	-	-	1,877,521	2,733,171	**1,877,521**	**2,733,171**
Long-term liabilities to related companies, total	**-**	**-**	**1,877,521**	**2,733,171**	**1,877,521**	**2,733,171**

KONZUM PE Magántőkealap granted an investment loan to the Company at a rate equal to the central bank base rate + 5 per cent. The loan will mature on 31 December 2020, no collateral was required.

31. Deferred tax liabilities

When deferred taxes are calculated, the Company compares the value that can be considered for taxation to the book value per asset and per liability. If the difference is temporary, i.e. if in the foreseeable future the difference is levelled off, the deferred tax liability or asset is recognized with a negative or positive amount. When an asset is posted, the Company assesses return separately.

Appeninn Nyrt.'s tax assets due to its negative tax base was generated before 2014 and can be used up to 2025 according to the Accounting Act.

The balance of deferred losses that can be carried over was HUF 955,826,000 as at 31 December 2019 against HUF 863,927,000 on 31 December 2018.

The balance of deferred taxes recognised in the statement of financial position consisted of the following items on 31 December 2019 and 31 December 2018:

HUF '000'		**2019**				**2018**		
	Balance in the financial statements	**Tax balance**	**Deferred tax base**	**Deferred tax**	**Balance in the financial statements**	**Tax balance**	**Deferred tax base**	**Deferred tax**
Income-generating investment properties	8,791,832	4,967,342	(3,824,490)	(344,204)	8,311,034	6,159,686	(2,151,348)	(193,621)
Trade and other receivables and assets	191,091	195,937	4,846	435	3,304,695	3,309,207	4,512	406
Receivables from losses carried forward	-	955,826	955,826	86,024	-	863,927	863,927	77,753
Debt on bonds	20,142,052	20,181,753	(39,701)	(3,573)				
Accounts payable and other liabilities	19,103	21.595	(2,492)	(224)	3,061,797	3,058,853	(2,944)	265
Net deferred tax position, total								**(115,197)**
Tax assets deferred in the balance sheet				-				-
Tax liability deferred in the balance sheet				**261,542**				**115,197**
Net deferred tax position				**(261,542)**				**(115,197)**
Change in the balance of deferred tax								**(146,345)**
Of which:								
Recognised in the P/L								(146,345)

32. Short-term credits

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Magyar Takarékszövetkezeti Bank Zrt.	1,657,318	1,612,694
Total	**1,657,318**	**1,612,694**

The short-term loan was provided on 23 April 2018, expired on 19 March 2020, and carried interest at the 3-month EURIBOR + 3.5%. Collateral: Mortgage on property; Prohibition on alienation and encumbrance; Mortgage established on business shares; Charge on receivables from an insurance case; Suretyship: Appeninn A59 Kft.

33. Other short-term liabilities

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Loan taken increased by interest	-	12,062
Debt to Building Cleaning Zrt. due to the historical cost of the receivable	11,411	11,411
Income owed	-	5,604
Other	7,692	10,191
Total	**19,103**	**39,268**

34. Trade payables

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Liabilities to creditors	50,407	16,531
Closing	**50,407**	**16,531**

35. Tax payment liabilities

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
VAT payment liability	48,102	-
Staff – contributions and taxes	1,861	-
Total	**49,963**	**-**

In 2018 the company had tax assets, therefore, and they were presented as current receivables.

36. Accrued expenses and deferred income

HUF ‘000'	For the year ended 31/12/2019	For the year ended 31/12/2018
Accrued and deferred costs	15,159	37,306
Accrued and deferred income	-	14,104
Accrued interests payable	15,348	14,582
Total	**30,507**	**65,992**

37. Transactions with related parties

The transactions conducted with related parties are presented in the Notes on the relevant balance sheet lines.

38. Remuneration of executive officers holding key positions

The members of the Board of Directors were paid HUF 300,000 each both in 2019 and in 2018, while the members of the Audit Committee received HUF 10,000 in addition. The Company and its executive officers have not concluded contracts that would generate liabilities for the Company in case these contracts change any time in the future.

	2019 (HUF ‘000’ per annum per capita)	**2018 (HUF ‘000’ per annum per capita)**
The members of the Board of Directors are paid honorariums based on service contracts (5 or 6 persons).	300	300
Honorariums to the members of the Audit Committee engaged with service contracts (3 persons)	100	100

39. Risk management

The Company’s assets include cash and cash equivalents, loans, receivables from customers and other receivables and other assets – with the exception of taxes. Company liabilities include loans and advances, liabilities to customers and other liabilities, disregarding taxes and the gains and losses on the revaluation of financial liabilities at fair value.

The Company is exposed to the following financial risks:

- credit risk
- foreign exchange risk
- interest rate risk
- liquidity risk
- market risk
- business risk

This section describes the above-described risks the Company is exposed to, the Company’s objectives and policies, the measurement of procedures and risk management, and the Company’s management capital. The Board of Directors have general responsibility for the Company’s establishment, supervision and risk management.

The purpose of the Company’s risk management policy is to filter out and investigate the risks the Company may face, to set up adequate controls and to monitor risks. The risk management policy and system will be revised in order to reflect the changed market conditions and the Company’s activities.

39.1 Capital management

The Company’s policy is to retain the share capital in an amount that is sufficient for ensuring that the investors’ and creditors’ confidence maintains the Company’s future development.

The Company’s capital structure includes net foreign capital and the Company’s equity (the latter includes the subscribed capital and the reserves).

In the course of capital management, the Company makes efforts at ensuring that the Company members can continue their activities and simultaneously maximize return for the owners by an optimum equilibrium between the loan principal and the equity, and by maintaining an optimum capital structure in order to reduce capital costs. The Company also monitors whether or not its member companies’ capital structure meets the local statutory requirements.

39.2 Credit risk

Credit risk is the risk that reflects if the debtor or the partner fails to fulfil his contractual obligations and this causes financial loss for the Company. Financial assets exposed to credit risks may include long- or short-term allocations, cash and cash equivalents, and receivables from customers and other receivables.

The book value of financial assets shows the maximum risk exposure. The following table shows the Company's maximum credit exposure on 31 December 2019 and 31 December 2018.

Maximum exposure to accounts receivable	For the year ended 31/12/2019	For the year ended 31/12/2018
Trade receivables	83,093	51,428
Other short-term receivables	25,257	29,468
Receivables from related parties	11,327,131	3,199,907
Shot-term loans granted	2,247	2,247
Cash and cash equivalents	11,445,732	2,791
	22,883,460	**3,285,841**

39.3 Market risk

Market risk is the risk that market prices, exchange rates, interest rates and the prices of investments or their changes may affect the Company's profit or the value of the investment embodied in the financial instruments. The purpose of managing market risk is to manage and control exposures to market risks among acceptable limits with simultaneous profit optimization.

39.4 Business risk

The Company applies consistent, predictable and competitive rents to its tenants. The currently applied rents match the physical situation and quality of the properties. Considering the current global economic environment and the demand and supply that has evolved in the Budapest office property market, there is no guarantee that the currently applied rents and conditions can be maintained in the future.

39.5 Interest rate risk

The interest rate risk reflects the risk that the future cash flows of certain financial assets and liabilities fluctuate as a result of changes in the market interest rate. The fluctuation of market interest rates represent exposure for the Company in the case of variable rate loans and liabilities arising from the issue of bonds. The Company pays interests at an average loan rate between 6.40 and 3.19 per cent. Increase in the interest rate by 0.5 per cent would require additional interest payable in the amount of HUF 106 million for the Company's subsidiaries.

39.6 Foreign exchange risk

The Company has established that its profit depends basically and in essence on two key factors: interest rate risk and foreign exchange risk, and for this reason, it performed sensitivity tests for these key variables.

Conversion of the HUF items applied during the compilation of the report was performed by the Company at the following exchange rates. The Company applied the closing rate of MNB to balance sheet items, and the average daily MNB rate to the P/L items. The only transaction currency is EUR, and exposure to the exchange rate was calculated by quantifying changes in this currency.

The exchange rate risk predominates especially in the fair measurement of income-generating investment properties, as valuation is performed in EUR, and the EUR-based property value was taken into account for the analysis:

Exchange rate type	31/12/2019	Change EUR	Change, %	31/12/2018
Closing	330,52	9.01	2.80%	321,51
Average	325,35	6.48	2.03%	318,87
Difference between closing and average	5.17	2.53	95.89%	2.64

Change in exchange rates	Exchange rate	Change EUR	Balance-sheet value of aggregate non-EUR position, EUR	Calculated impact on P/L
-1%	327,2148	-3.3052		(72,066)
-0.50%	328,674	-1.6526		(35,852)
31/12/2019 MNB	330,52		7,134,492	
+0.5%	332,1726	1.6526		35,495
+1%	333,8252	3.3052		70,639

39.7 Liquidity risk

Liquidity risk is the risk that the Company is unable to fulfil its financial obligations when they are due. The Company's liquidity management approach is to reveal the extent to which adequate liquidity can be provided for the performance of its liabilities on the due dates, under both usual and stressed conditions, without incurring unacceptable losses or jeopardizing the Company's good reputation.

The maturity structure of the contracted and actually payable (non-discounted) financial obligations is summed up in the following table for 2019 and for 31 December 2018:

31/12/2019	Due within 1 year	Due within 2–5 years	Due after 5 years	Total
Financial assets				
Trade receivables	83,093			**83,093**
Receivables from related parties	11,327,131			**11,327,131**
Other short-term receivables	25,257			**25,257**
Shot-term loans granted	2,247			**2,247**
Cash equivalents	11,445,732			**11,445,732**
Financial assets	***22,883,460***	**-**	**-**	***22,883,460***
Liabilities to associated companies	652,551	1,877,521		**2,530,072**
Other short-term liabilities	19,103			**19,103**
Liabilities to suppliers	50,407			**50,407**
Debts from issued bonds			20,142,052	**20,142,052**
Deposits provided by tenants		19,937		**19,937**
Short-term bank loans	1,657,318			**1,657,318**
Tax payment liabilities	49,963			**49,963**
Financial liabilities	***2,429,342***	***1,897,458***	***20,142,052***	***24,468,852***

31/12/2018	Due within 1 year	Due within 2–5 years	Due after 5 years	Total
Financial assets				
Trade receivables	51,428			51,428
Other short-term receivables	29,468			29,468
Receivables from related parties	3,199,907			3,199,907
Shot-term loans granted	2,247			2,247
Cash equivalents	2,791			2,791
Financial assets	***3,285,841***	**-**	**-**	***3,285,841***
Financial liabilities				
Loans and leases	1,612,694			1,612,694
Deposits provided by tenants		11,937		11,937
Liabilities to associated companies	260,890	2,733,171		2,994,061
Liabilities to suppliers	16,531			16,531
Financial liabilities	***1,890,115***	***2,745,108***	**-**	***4,635,223***

40. Financial instruments

Financial instruments include receivables from customers, advances and liquid assets granted, loans and advances taken and trade payables.

31/12/2019	Measured at fair value through profit or loss	Assets measured at amortised cost	Measured at fair value through the comprehensive income
Financial assets			
Trade receivables		83,093	
Other short-term receivables		25,257	
Receivables from related parties		11,327,131	
Shot-term loans granted		2,247	
Cash equivalents		11,445,732	
Financial assets	-	***22,883,460***	-
Financial liabilities			
Loans and leases		1,657,318	
Deposits provided by tenants		19,937	
Debt on bonds		20,142,052	
Liabilities to associated companies		2,530,072	
Liabilities to suppliers		50,407	
Financial liabilities	-	***24,399,786***	-

31/12/2018	Measured at fair value through profit or loss	Assets measured at amortised cost	Measured at fair value through the comprehensive income
Financial assets			
Trade receivables		51,428	
Other short-term receivables		29,468	
Receivables from related parties		3,199,907	
Shot-term loans granted		2,247	
Cash equivalents		2,791	
Financial assets	-	***3,285,841***	-
Financial liabilities			
Loans and leases		1,612,694	
Deposits provided by tenants		11,937	
Liabilities to associated companies		2,994,061	

Liabilities to suppliers		15,531	
Financial liabilities	**-**	***4,634,223***	**-**

The fair value of financial instruments measured at amortised prime cost approximated their book values in both years. In both years fair value was set at a fair value corresponding to Tier 3.

41. Adjustments for errors made in previous years

IFRS 15 correction of re-invoicing

In the previous year the Group incorrectly classified revenues and expenditures from re-invoiced costs among sales revenues. In previous years, the Group incorrectly presumed that the Group assumed the risk that the revenues obtained from shifting the operating costs incurred may fail to cover the operating costs, and therefore the Group should be considered as the original obligor and not the agent of the transaction. In 2019 the Group identified that if public utility fees are re-invoiced, the Group acts as an agent, in other words, the sales revenue should not include the amount of charges invoiced, only the value of any profit charged on them. In compliance with the IFRS 15 requirements, re-invoiced costs are recognised aggregated with revenues.

The following lines have been modified in the comprehensive P/L:

31 December, 2019	**Original amount**	**Modification**	**Modified amount**
Income from the lease of property	402,426	(91,288)	311,138
Direct costs of property letting	(112,986)	91,288	(21,698)

42. Contingent liabilities

Collateral provided for a group member's debts owed to a credit institution

Appeninn Nyrt. as owner has remained a joint and several guarantor and a mortgagor in the contract concluded with the credit institution despite the sale of Appeninn Logisztika Zrt. to the benefit of the company previously known as Appeninn Logistics Zrt. (currently named as VÁR-Logistics Zrt.) vis-a-vis Orgovány és Vidéke Takarékszövetkezet since 27 June 2013. In a performance assumption agreement, on 6 December 2017, VÁR- Logisztika Zrt.'s owners assumed performance towards Appeninn Nyrt. in respect of the total amount of all kinds of its liabilities outstanding to Takarékszövetkezet. Suretyship assumed by the Company up to 15 June 2023 or the date of performing the obligation.

The Company reviewed the performance capacity of the obligors and on the cut-off date of the financial statements the Company management assigned zero probability of insolvency to the obligations resulting from suretyship, and the amount presented in the balance sheet in relation to suretyship was thus zero.

Collateral facilities provided to the investment suppliers of subsidiaries
Appeninn E-Office Zrt. as customer entered into a contractual relationship on 1 December 2017. Securing cooling and heating systems in the properties in Appeninn E-Office Zrt.'s ownership, and the complete delivery and operation of these systems. The contract concluded for the operation of the unique systems tailored to the customer's buildings cover the complete technical and economic life cycle. On expiry of the contracts concluded for the operation of these systems, the customer obtains ownership title to the system, and the customer must pay an exit charge is terminates the contract. Appeninn Nyrt.'s obligation includes the total liability to the supplier without subordination, i.e. including all annual charges, exit fees, and the transfer or termination of the contract if the property is sold.

Appeninn E-Office Zrt. committed to future payment in addition to maintaining the contract. Based on the available information, on 31 December 2019, the management of the parent company assessed the loss incurred on account of the enforcement of the payment guarantee undertaken for the liabilities of the subsidiaries. With a view to the subsidiary's payment, cash-flow and operating profits, the company management did not consider it likely, and therefore this liability was recognised at a zero value in the balance sheet.

Collateral facilities provided for the credit institutions of subsidiaries
Appeninn Nyrt. assumes suretyship to financial institutions for the loans taken by its subsidiaries.

Details of these loans:

Financing partners	Primary tax corporate	31/12/2019 maturing within one year	31/12/2019 maturity over 1 year
		EUR	EUR
Magyar Takarékszövetkezeti Bank Zrt.	Szent László Téri Szolgáltató Ház	87,907	39,181
Magyar Takarékszövetkezeti Bank Zrt.	VCT78 Ingatlanhasznosító Kft.	107,709	1,668,945
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn-Bp 1047 Zrt.	37,019	669,582
Magyar Takarékszövetkezeti Bank Zrt.	Appeninn Property Vagyonkezelő Zrt.	30,788	556,221
Magyar Takarékszövetkezeti Bank Zrt.	Appen-Retail Kft.	70,289	1,288,939
Magyar Takarékszövetkezeti Bank Zrt.	Curlington Kft.	4,011	69,131
Magyar Takarékszövetkezeti Bank Zrt.	Felhévíz-Appen Kft.	8,132	141,490
MFB-Erste consortium	Appeninn E-Office Zrt.	1,741,305	22,327,471
Bank loans, total		**2,087,160**	**26,760,960**

43. Environmental impacts with regard to the Company's activity

The Company has no tangible assets that directly serve environmental protection. In the course of the Company's activity, not hazardous waste or harmful substances are generated, and thus it does not have such stocks either. We are not aware of any future a liability related to environmental protection, and for this reason, in the reporting period no such provision was made and no related costs were incurred.

44. Events after the balance sheet cut-off date

On 9 January 2020, the Company concluded a sale and purchase agreement for the purchase of 76 per cent of the shares in Solum-Invest Ingatlanfejlesztő és Üzemeltető Korlátolt Felelősségű Társaság. The Company purchased the firm that operates the Balatonfüred marina jointly with Attila Balázs, a shareholder of Bayer Construct Zrt., an enterprise active in the construction industrial and property management market. He acquired title to 24 per cent of the shares. The high-standard operation of the marina and the developments planned by the Company and its partner in the future represent new and high-standard products in the tourism market around Lake Balaton.

By purchasing the office building located in District I of Budapest in Pauler Street, the Company continued its portfolio expansion. The office building has a rentable area on 668 sq. m and is located in one of the most frequented parts of District I in Budapest. Its profitability is secured by a long-term rental agreement. The Company acquires the office building by a sale and purchase contract concluded for 100 per cent of the shares in Alagút Investments Ingatlanhasznosítási Kft.

The Company’s subsidiary, BERTEX Ingatlanforgalmazó purchased an office building located in Montevideo Street, District III of Budapest, and its sale and purchase agreement was signed on 17 January, 2020. Through the purchase of this office building, the Company expanded its portfolio in this segment by more than 6000 sq. m of rentable office space.

On 20 March 2020, the Company sold the properties located at H-1065 Budapest, Andrássy út 59. and H-1062 Budapest, Andrássy út 105 through the subsidiaries having ownership title to these properties.

The events listed above do not affect the financial statements compiled for the cut-off date 31 December 2019.

No significant event took place after the cut-off date.

45. COVID-19 effects

By Government Decree 40/2020. (III.11.), the Hungarian Government declared a state of emergency. Then in order to slow the spread of the COVID-19 pandemic, in a government decree the Hungarian Government limited border crossing and the official hours of non-vital shops. Simultaneously, the Government also took economy stimulus measures, the most significant being the order on a debt repayment moratorium up to 31 December 2020.

The measures taken in relation to the pandemic have a significant but not critical impact on the operation of Appeninn Vagyonkezelő Holding Nyrt. Approximately 5 to 15 per cent of the current tenants are engaged in business lines that must be shup down due to the government decree, and thus they expect temporary misses of revenues. Some of these tenants have requested Appeninn Holding to reduce the rent on a temporary basis. The four most significant tenants are not or only slightly affected by revenue losses caused by the COVID-19 virus.

Appeninn Holding's current vacancy rate is 7 per cent, and the average expiry is 4.5 years. Appeninn Holding has a substantial liquidity reserve and despite the expected miss or rearrangement of revenues, it is capable of performing its financial liabilities over the medium term.

In order to protect its tenants, the Group takes precautions to help slow the spread of infection and maintain uninterrupted operation.

46. Information related to the compilation of the separate financial statements

In the course of compiling the separate financial statements compiled for the business year ended 31 December 2019 in accordance with the International Financial Accounting Standards (IFRS) adopted by the EU, the basis of the compilation included the statements made on the basis of the maintained general ledger and the sub-ledger accounts recorded by the accounting agency engaged by the Company, of the records according to the Hungarian Accounting Act, the client accounts recorded by the Company and the contracts concluded. The accounting service provider company responsible for the compilation of these statements is NewEdition Számviteli Szolgáltató Kft., and the name of the chartered accountant is Hajnal Fazakas (registration number: 153273).

In order to align the statements compiled according to the Hungarian Accounting Act with the rules of the IFRS standards, the Company engaged an accounting expert registered by the relevant IFRS body. Personally responsible for the preparation of the IFRS financial statements: Ildikó Rózsa (registration number: 136860). The engagement of the expert commissioned to compile the IFRS statements exclusively includes the identification of differences between the Hungarian accounting standards and IFRS and the compilation of separate financial statements according to the IFRS standards adopted by the EU.

47. Audit of the Company's separate financial statements and the auditor's remuneration

The company auditing the Company's books and the personally responsible auditor are elected by the Company's general meeting. The auditor commissioned by Company's general meeting to audit the 2019 business data is:

- Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság (auditor personally responsible for the audit: Zsuzsanna Éva Bartha)

Auditor's remuneration:

- The fee charged for the audit of Appeninn Nyrt.'s separate annual report compiled in agreement with the International Financial Reporting Standards adopted by the European Union and in compliance with the requirements of Act C of 2000, and for the audit of Appeninn Nyrt.'s separate IFRS report is HUF 2,500,000 + VAT.

The auditors have not provided the Company with any other services of certainty provision, tax consultancy or other services beyond the scope of audit.

48. Authorization of disclosing financial statements

At the meeting of Appeninn Vagyonkezelő Holding Nyrt.'s Board of Directors held on 26 March 2020, the Company approved the separate financial statements compiled for the year 2019 according to the International Financial Reporting Standards adopted by the EU (IFRS). Although the Company's Board of Directors has approved release of the Company's current separate financial statements, the regular annual general meeting of the shareholders, as the body entitled to approve the report, may request amendments in it.

49. Declarations

Please note that there are numerous factors that may cause substantial differences between the actual outcome and the assumptions for the future.

Statement of responsibility – Based on the applied accounting requirements, the separate annual financial statement, prepared according to our best effort, gives a true and fair view of Appeninn Vagyonkezelő Holding Nyrt.'s assets, liabilities, financial position and profit or loss, its current situation, development and performance, and presents the major risks and uncertainties.

Budapest, 26 March, 2020

Tamás Bernáth	**Dr Nóra Szabó**
Chairman of the Board of Directors	**Member of the Board of Directors**