Fotex Holding S.E.
272, rue de Neudorf
L-2222 Luxembourg
R.C.S. Luxembourg B 146.938

Consolidated financial statements as at 31 December 2019
Management report as at 31 December 2019

Table of contents

Management Report

General

Fotex Holding S.E. (the “Company”) is a European public limited company registered in the Luxembourg companies register under the number R.C.S. B 146.938 and regulated under the laws of the Grand Duchy of Luxembourg. The Company’s current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg.

The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the “Group”) incorporated in Luxembourg, the Netherlands and Hungary which are engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. (ultimate parent company) and Upington Investments S.à r.l. are registered in Luxembourg, Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. are registered in the Netherlands, and all other subsidiaries of the Group are registered and operate in Hungary. The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiary:	Principal Activities:	2019	2018
		%	%
Ajka Kristály Kft. (Ajka)	Crystal manufacturing and retail	100.00	100.00
Fotex Netherlands B.V.	Property management	100.00	100.00
FN2 B.V.	Property management	100.00	100.00
FN3 B.V.	Property management	100.00	100.00
FN4 B.V.	Property management	100.00	100.00
FN5 B.V.	Property management	100.00	100.00
Fotexnet Kft.	Internet retail and other services	100.00	100.00
Hungaroton Music Zrt.	Music archive	99.21	99.21
Keringatlan Kft.	Property management	99.99	99.99
Long Term CRE Fund B.V.	Property management	100.00	100.00
Plaza Park Kft.	Property management	100.00	100.00
Sigma Kft.	Property services	100.00	100.00
Székhely 2007 Kft.	Property services	99.27	99.27
Upington Investments S.à r.l.	Investment holding	100.00	100.00

During 2018 and 2019, the Company has not entered into any transaction that affected the Group structure.

Financial overview

The Group has operations in the Netherlands, Luxembourg and in Hungary. From a management point of view the Group is divided in 3 business lines, which are the following:

- Investment property holding and management
- Crystal and glass manufacturing
- All other segments (music publishing and retail, administration and holding activities).

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The following tables below summarize the Group's revenues and profit before tax for 2019 and 2018 by business lines:

	2019	2018
Net sales:	Net Sales EUR	Net sales EUR
Investment property holding and management	28,526,860	28,990,984
Crystal and glass manufacturing	4,070,249	4,953,820
All other segments	8,657,263	8,100,973
Inter-segment elimination	(3,217,454)	(3,054,772)
Net sales	38,036,918	38,991,005

Income before income taxes:	2019	2018
	EUR	EUR
Investment property holding and management	30,562,313	8,803,934
Crystal and glass manufacturing	(1,690,919)	(1,106,717)
All other segments	(353,989)	(121,932)
Income before income taxes	28,517,405	7,575,285

The operating results of the Group vary from year to year due to changes in exchanges rates, movements in the investment property portfolio, as well as general European and global economic trends. The Group tries to counterbalance such changes as best as possible by reorganizing and rationalizing business segments which the Group feels are no longer sustainable or have no viable future.

Management considers the sales revenue and the EPS as key financial performance indicators.

Management monitors the activities which generate the Group's revenues. The table below summarizes the main activities from which the Group generates its revenues:

Sales revenue	2019	2018
	EUR	EUR
Rental income revenue	25,031,182	25,173,060
Revenue from contracts with customers	13,005,736	13,817,945
Total sales revenue	38,036,918	38,991,005

The revenues generated by real estate management have decreased slightly during the fiscal year. The decrease is derived from the sale of two properties in the Netherlands in 2018 and in January 2019 (see Note 9).

Revenue from contracts with customers from the above table is presented in more detail in the following table:

	2019	2018
	EUR	EUR
Sale of goods	5,175,439	5,828,883
Revenue from service charges to tenants	2,777,160	2,814,155
Provision of services	3,731,085	3,327,736
Royalty revenue	354,508	354,407
Other sales revenue	967,544	1,492,764
Total sales revenue	13,005,736	13,817,945

Revenues from selling of goods are generated primarily by sales of crystal and glass products. The reason for the decrease of sales is the decline of demand (see Note 16).

The table below summarizes the Group's key financial indicators, which are monitored by the Group's management:

Selected financial information (EUR)	**31.12.2019**	**31.12.2018**
Sales	38,036,918	38,991,005
Gross profit	35,567,276	35,958,835
Gain on disposal of the sales of investment properties	21,604,590	-
Operating profit	30,488,783	10,138,647
Pre-tax profit	28,517,405	7,575,285
Net income*	22,848,595	6,080,254
Owner's equity**	142,415,328	120,773,359
Total assets	236,892,893	212,312,145
Number of ordinary and preferred issued shares	72,723,650	72,723,650
Basic earnings per share	0.52	0.13
Return on equity	17.36%	4.84%
Return on assets	10.17%	2.71%

* *net income attributable to equity holders of the Company*
** *equity attributable to equity holders of the Company*

Gross profit is the sales revenue less the cost of sales (or cost of goods sold). Gross profit of an entity is its residual profit after selling a product or service and subtracting the costs associated with its production and sale. The associated costs can include manufacturing costs, raw material expense, direct labour charges, and other directly attributable costs. Gross profit is very important measure to consider when analyzing the profitability and financial performance of a company. Furthermore it indicates the efficiency of the management in using labor and supplies in the operations. It should be kept in mind that gross profit usually varies significantly from industry to industry. Therefore while appraising the performance of a company, the comparison should be made with the companies in the same industry.

Operating profit is the profit earned from a firm's normal core business operations. It is calculated using the following formula: Revenue - Cost of sales or Cost of goods sold - Operating expenses (including depreciation and amortization). It concludes from the formula, operating profit excludes paid and received interest and income tax expenses. The Group believes that operating profit is a widespread and useful income measure which is reported in order to facilitate the comparison of financial statements and financial performance of companies to investors. For investors, examining the operating profit may allow for an easier comparison of businesses that operate within industries with differing tax rates or financial structures as this allows for a more equitable comparison.

The Group is committed to take responsibility for the environment paying attention to the treatment of the hazardous waste generated by the production of crystal and glass products. It takes all effort to optimize the level of the hazardous waste by proper handling, storage, transportation and removal in accordance with local regulations.

The level of the hazardous waste as of 31 December 2019 was 65 kg (31 December 2018: 280 kg), which is merely 0.01% (31 December 2018: 0.02%) of total production throughout the period.

No provision is recognised for covering future environment fines or expenditures in 2019.

Risks and Risk management of the Group

The Group's business, financial condition or results can be affected by risks and uncertainties. Management has identified the following risks:

- Change in laws and regulations governing the operations of the Company and its subsidiaries which may affect their business, investments and results of operations

- Foreign currency risk

- Credit risk

- Interest rate risk

- Liquidity risk

- Country risk

Management monitors these risks and applies the following risk management procedures:

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating FX risk associated with non-EUR based revenues. As of 31 December 2019 the Group does not have any open forward transactions.

Credit risk

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers and due to the dispersion across geographical areas.

Receivable balances are monitored on an ongoing basis.

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

Interest rate risk

In order to mitigate the interest rate risk the Group uses mainly fixed rate loans.

The loan interests are at fixed rates varying between 1.89 % and 7.25 %. For further details please refer to Note 19.

Liquidity risk

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity.
- Monitoring weekly cash flows by entity.
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis.
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities.

Country risk

The Group has operations in Luxembourg, in the Netherlands and in Hungary. By the geographical diversification of the operations, the Group mitigates the effects of country risk. Notwithstanding the, as yet unknown, impact of the global coronavirus pandemic, the Group has not identified any significant risks that may affect the financial performance of Group members associated with the countries in which the Group operates. Further as members of the European Union and the legal structure associated with it, management believes that country risk is not a matter of significant concern.

Internal control and risk management systems in relation to the financial reporting process

The Board of Directors has overall responsibility for ensuring that the Group maintains a sound system of internal controls, including financial, operational and compliance controls. Such a system forms an integral part of the corporate governance strategy of the Company. Internal control procedures help to ensure the proper management of risks and provide reasonable assurance that the business objectives of the Company can be achieved. The internal control procedures are defined and implemented by the Company to ensure:

- the compliance of actions and decisions with applicable laws, regulations, standards, internal rules and contracts;
- the efficiency and effectiveness of operations and the optimal use of the Company’s resources;
- the correct implementation of the Company’s internal processes, notably those to ensure the safeguarding of assets;
- the integrity and reliability of financial and operational information, both for internal and external use;
- that management’s instructions and directions are properly applied; and
- that material risks are properly identified, assessed, mitigated and reported.

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error are fully mitigated or eliminated. The control environment is an essential element of the Company's internal control framework, as it sets the tone for the organization. This is the foundation of the other components of internal control, providing discipline and structure.

Regarding the internal controls in the area of accounting and financial reporting, the following should be noted:

- In the context of the ongoing organizational realignment implemented since the Group moved its headquarters to Luxembourg, a greater integration of the financial operations of the parent company and affiliates under a single management structure was established.

- Controls have been established in the processing of accounting transactions to ensure appropriate authorizations for transactions, effective segregation of duties, and the complete and accurate recording of financial information.

- The Company relies on a comprehensive system of financial reporting. Strategic plans, business plans, budgets and the interim and full-year consolidated accounts of the Group are drawn up and brought to the Board for approval. The Board also approves all significant investments. The Board receives monthly financial reports setting out the Company's financial performance in comparison to the approved budget and prior year figures.

- A clear segregation of duties and assignment of bank mandates between members of management, and the accounting departments is implemented.

Research and development

The Company itself has no research and development activity and the research and development activity carried out through its subsidiaries is not significant.

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2019, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2018: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The "dividend preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.

Holders of dividend preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

All dividend preferred shares are held in treasury.

Treasury shares

The 2,000,000 dividend preferred shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 840,000 in 2019; (2018: EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2019, the Company held 29,086,388 treasury shares (of which 27,086,388 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 41,751,015 (31 December 2018: 28,803,409 shares – of which 26,803,409 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,212,427).

During 2019, the Company purchased 282,979 of its ordinary shares (2018: 8,549,058 shares) on an arm's length basis. All dividend preferred shares are owned by the Group.

Suggestion for Dividends to be paid

The Board of Directors proposes not to pay any dividends on any class of share for the year 2019.

Significant Events after the end of the reporting period

In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, WHO declared COVID-19 a pandemic.

The groups businesses are in geographies where the impact of the virus is primarily being managed medically with economic stimulus being considered to protect businesses from any negative short-term consequences. As of the date of the financial statements, as it relates to the group, the economic impact of the virus and the length of time the conditions are expected to last are unknown nor quantifiable.

Further, whilst there may be, as yet unknown, negative consequences arising from the virus, there is no indication that the group will have any significant difficulties operating on a going concern basis for at least 12 months and for the foreseeable future.

Apart from the above mentioned events no significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Luxembourg S.á.r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2019 Blackburn Luxembourg controlled 50.35% (31 December 2018: 50.35%) of Fotex Holding S.E.'s voting shares.

Corporate governance

The Company adopts and applies the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange ("Ten Principles"). It reviews the Ten Principles on a yearly basis and from time to time shares the developments with the Luxembourg Stock Exchange as part of a joint follow-up process in order to reduce the number of exceptions.

On 18 October 2019, the Company updated its Corporate Governance Charter which was disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management.

With respect to the directors of the Company, members of the Board of Directors possess a mixture of relevant experience which supports the business model of the Company. More information on this topic, specifically on the profile of the directors, can be found in the "Management" section of the Company's website (www.fotex.lu).

A majority of the directors consists of directors who are independent in accordance with the detailed list of criteria described below in "The Board" chapter. Each director has a sufficient level of independence when carrying out his or her mandate as member of the Board of Directors of the Company.

They are elected by the general assembly of the shareholders of the Company, each of them has a proven professional track record and is deemed highly skilled in his/her profession. Considering these circumstances, following their appointment there are no separate induction trainings carried out on behalf of the directors.

With regards to special committees of the Company, due to the investment holding character, the Company is of the opinion that the number of special committees shall be limited in order to achieve optimal efficiency. More specifically, the Company does not have any Nomination Committee. It assesses the necessity of this recommendation, however, given the financial holding nature of the Company, it has been considered such committee is not necessary. As such, there are no formal recruitment procedures for the appointment of directors, this power is exercised by the Board of Directors along with the general assembly of the shareholders of the Company, for their election.

In addition, no Remuneration Committee has been set-up by the Company. The recommendation is reviewed by the Company from time to time, however, it is its view that due to the financial holding nature of the Company, a Remuneration Committee is not required. The power to determine the remuneration of the members of the Board of Directors is reserved to the shareholders. Accordingly, the Company does not have a remuneration policy, all remuneration allocated by the Company, more specifically tantiemes allocated to directors or members of the Audit Committee, are decided upon by the general assembly of the shareholders, such remuneration in each case representing fixed amounts which do not depend on the performance of the directors, or the Company itself.

As per the Articles of the Association, the Corporate Governance Charter of the Company and the applicable laws, the financial reporting, internal control and risk management are monitored by the Audit Committee of the Company. The rules set out in the Corporate Governance Charter describe the operational method of the Audit Committee. In the organisational structure of the Company, no internal audit function exists.

Ordinary shares issued by the Company are listed on the Luxembourg Stock Exchange. Applicable insider dealing and market manipulation laws prevent anyone with material non-public information about a company dealing in its shares and from committing market manipulations. A detailed Dealing Code does not exist, however, directors have a duty to report any transactions in the Company's securities to the Company. Such report has not been submitted to the Company.

The Group does not have a formal diversity policy in place as all the positions within the Group are awarded to the candidate whose skills and qualifications meet the requirements of the given position to the highest extent.

The Board

The Company is managed by a Board of Directors (the “Board”) composed of a minimum of five and a maximum of eleven members (the “Directors”, each one a “Director”).

The Directors shall be appointed by the General Meeting of shareholders of the Company for a maximum period which will end at the Annual General Meeting of the Company to take place during the third year following their appointments. They shall remain in office until their successors are elected. They may be re-elected and they may be dismissed at any time by the General Meeting, with or without cause.

In the event that one or several positions on the Board become vacant due to death, resignation or any other cause, the remaining Directors shall select a replacement in accordance with the applicable legal provisions, in which case this appointment shall be ratified at the next General Meeting of the shareholders of the Company.

The Board of Directors has been authorized by the shareholders to manage the day-to-day operations of the Company, as well as to make administrative decisions at the Company.

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.

The remuneration of members of the Board of Directors shall be fixed by the General Meeting.

The Board shall elect a chairman from among its members.

According to the Articles of Association, persons with no legal or financial link to the Company other than their mandate as Director are considered “independent persons”.

"Independent persons" does not include persons who:

a) are employed by the Company or its subsidiaries at the time of their appointment as a member of the Board of Directors;

b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;

c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;

d) receive financial benefits linked to the Company's activities or profit;

e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

Name:	**Position:**
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Martijn G. D. WINDELS	Member of the Board
Mr. Robert J. DOLE	Member of the Board
Mr. Alan J. GRIFFITHS	Member of the Board
Mr. Gábor MOCSKONYI	Member of the Board

The Annual General Meeting of the Company held on 17 June 2019 elected the members of the Board of Directors with a mandate expiring at the Annual General Meeting of shareholders of the Company called to approve the Company's annual accounts as at 31 December 2019.

Each member of the Board of Directors is a high-qualified, honest and acclaimed specialist. The Company publishes the information about the career of the Board of Directors' members on its website.

The Board of Directors shall be vested with the most extensive powers to manage the affairs of the Company and to carry out all measures and administrative acts falling within the scope of the corporate object. Any powers not expressly reserved for the General Meeting by the Articles of Association or by the laws shall fall within the remit of the Board of Directors.

A subsequent General Meeting representing at least 50% of the ordinary shares may establish the limits and conditions applicable to the authorized capital, within the conditions laid down by the law. In this case, the Board of Directors is authorized and mandated to:

- carry out a capital increase, in one or several stages, by issuing new shares to be paid up either in cash, via contributions in kind, the transformation of debt or, subject to the approval of the Annual General Meeting, via the integration of profits or reserves into the capital;

- set the place and date of the issue or of successive issues, the issue price, and the conditions and procedures for subscribing and paying up the new shares;

- abolish or restrict the preferential subscription rights of shareholders with regard to new shares to be issued as part of the authorized share capital.

This authorization is valid for a period of five years from the publication date of the authorization deed and may be renewed by a General Meeting of shareholders for any shares of the authorized capital which have not been issued by the Board of Directors in the meantime.

Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of the Articles of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorized person.

Audit Committee

The audit committee of the Company (the “Audit Committee”) shall be composed of a minimum of three and a maximum of five people.

The members of the Audit Committee shall be appointed by the General Meeting of shareholders of the Company from the members of the Board deemed to be “independent persons” for a period not exceeding their respective mandates.

The Audit Committee shall elect a chairman from among its members. The quorum shall be met at Audit Committee meetings when the members have been validly called to attend and when a minimum of two-thirds or three of its members are present. All of the Committee’s decisions shall be taken by a simple majority vote. In the event of a tied vote, the person presiding over the meeting shall have the casting vote. They may be re-elected and they may be dismissed at any time by the General Meeting, with or without cause.

The Audit Committee reviews the annual report of the Company, controls and evaluates the operation of the financial system and provides its tasks in connection with the Auditor of the Company.

Composition of the Audit Committee

The Audit Committee is composed as follows:

- Mr. Alan J. Griffiths (Chairman of the Audit Committee)
- Mr. Martijn G. D. Windels (Member of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 17 June 2019. The mandate of the members of the Audit Committee will expire at the Annual General Meeting of shareholders of the Company called to approve the Company’s annual accounts as at 31 December 2019.

No specific remuneration is attributed to the members of the Audit Committee.

The Company publishes the resolutions after the General Meeting and ensures the shareholders get to know their content.

Subject to the provisions of the Article 10 of the Articles of Incorporation of the Company, the General Meeting of shareholders has the broadest powers to order, carry out or ratify measures relating to the activities of the Company.

Rules Governing Amendments to the Articles of Incorporation

Amendments to the Articles of Incorporation are approved by resolution at an Extraordinary General Meeting of shareholders under the conditions of the law.

Branches of the Company

The Company has no branches.

Other Disclosures

The shares of the Company were admitted to the official list of the Luxembourg Stock Exchange at a first price of EUR 1.06/piece as of 23 February 2012.

The Board of Directors of the Company at the meeting held on 14 March 2012 decided on the full transfer of the Company's shares listed on the Budapest Stock Exchange to the Luxembourg Stock Exchange. The date of transfer was 30 March 2012. After transferring the shares from the Budapest Stock Exchange the shares are traded only on the Luxembourg Stock Exchange.

There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the 2004/109/EC directive (transparency directive).

There are no restrictions on the transfer of securities in the Articles of Incorporation of the Company.

There are no securities granting special control right to their holders and there are no restrictions on voting rights of the ordinary shares.

There are no significant agreements to which the Company is party to and which would take effect, alter or terminate upon a change of control following a public offering or takeover bid.

There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Future Prospects

The financial position and performance of the Group continued to be extremely strong and stable during the entire year of 2019. The results of the Group were immensely improved by the sale of several assets both in Hungary and Holland during the fiscal year.

Unfortunately, the positive results of 2019 will be very short lived as the current economic prospects of the Group, as is the case for companies worldwide, look unstable and negative for the foreseeable future. The reasons for this can be attributed to the following:

The Corona Virus also known as Covid-19 has dramatically altered the legal, economic and day to day business functioning of the Group. The Group's Hungarian portfolio is dominated by retail tenants most of which have been legally forced to temporarily close either partially or entirely. Furthermore, as the Netherlands has also initiated a lock down many Dutch employers may now be forced to have their employees work from home thus also heightening the risk that local office tenants in Holland might also refuse to or not be able to pay their rents as per their lease agreements for the foreseeable future.

Currently, there is no envisaged end date in sight to the virus crises in any country, as such, this economic uncertainty will mean that the Group will need to change and rationalize its current operations to meet the challenges posed by this business environment. This will mean that more of the company's staff will have to work from home which will require further investments by the Group in technology and equipment to enable this. Beyond these steps' certain segments of the company which are currently unable to operate due to the restrictions in place will need to either downsize and/or restructure its current operations and cost basis in order to weather the current situation.

Above and beyond these shorter-term problems and risks which the Group faces the long-term effects of the virus both economically and in terms of consumer habits will most likely change the financial prospects of the company in the coming months. In addition to all this Brexit is currently still unresolved and the EU itself is at this moment in time unable to function coherently to face neither the virus nor the Brexit challenge.

Based on these facts the Group expects the risk of tenant defaults and nonpayment's to increase and increased cost burdens due to which the company will be forced to rationalize its operations and cost structure during the course of 2020.

Whilst the Coronavirus presents businesses throughout the world with unprecedented challenges and no business can be fully insulated from the fallout from what this virus will bring, the group is well equipped to weather the upcoming storm with significant levels of cash and no significant debt repayment due in the next twelve months. As such, The Board have concluded that there are no material uncertainties regarding the going concern assessment performed and are confident in the groups' ability to meet all financial obligations that fall due in the twelve months subsequent to the issuance date of this annual report.

23 April 2020, Luxembourg

Várszegi Gábor

Fotex Holding S.E.

Chairman of the Board

Financial Statement Certification

In accordance with Article 3 (2) c) of the law of 11 January 2008 on transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended), we confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 23 April 2020

Gábor VÁRSZEGI

Chairman of the Board of Directors

Dávid VÁRSZEGI

Member of the Board of Directors

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Building a better working world

Independent auditor's report

To the Shareholders of
Fotex Holding S.E.
272, rue de Neudorf
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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fotex Holding S.E. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the «Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements» section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Building a better working world

Key audit matters

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

Valuation of investment property (including those classified as held for sale)

Description

The Group's investment properties are comprised of office, retail, warehouses, land and other real estate properties. As of 31 December 2019, the carrying value of the Group's investment properties was EUR 137,380,078 (2018: EUR 155,700,107).

In accordance with the Group's accounting policy, subsequent to initial recognition the investment properties are carried at cost and depreciated systematically (except land) over their useful economic life. Furthermore, the Group determines and presents in the notes the fair value of its investment properties (refer to Note 12 in the consolidated financial statements). Such fair value is also used for the purpose of the impairment test of the Group's investment properties and the impairment test of the carrying value of goodwill.

The fair values are determined based on a valuation performed by accredited independent appraisers. To determine the investment property fair value appraisers used the present value of the estimated future cash flows generated from leasing such assets, the direct capitalization method based on actual rental income or market approach based on comparables depending on the nature of the assets.

We considered the valuation of the investment properties to be a key audit matter because the investment property fair value is a significant estimate and is underpinned by a number of factual inputs and assumptions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the estimate of expected cash flows generated by future rentals. The appraisers apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.

Auditor's response

As part of our audit procedures over the valuation of investment properties, we evaluated the competence, independence and capabilities of the appraisers and read the terms of engagement of the appraisers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. For a sample of the valuations, we traced the inputs used in the valuation process to corresponding lease agreements and other relevant documentation. We involved our real estate specialists to assist us in assessing the methodologies and assumptions used by the appraisers. In particular, we assessed whether the valuation methods applied by the appraisers are appropriate for the purpose of the valuation of the underlying investment properties. We also considered the assumptions used by the appraisers in their valuation models, including yield and market rents, by comparing them against available market data. We evaluated the adequacy and completeness of the disclosures in the notes to the consolidated financial statements, particularly in relation to those assumptions that the fair value is most sensitive to.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the corporate governance statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 17 June 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the consolidated management report, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The corporate governance statement includes the information required by article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Robert White

Luxembourg, 27 April 2020

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Financial Position
Figures in EUR

	Note	31 December 2019	31 December 2018
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	68,278,062	24,413,098
Current portion of other financial assets	6	1,089,250	893,244
Accounts receivable and prepayments	7	7,921,582	6,737,001
Income tax receivable		297,694	414,537
Inventories	8	4,169,602	5,317,486
Assets held for sale	9	3,731,045	19,814,236
Total current assets		85,487,235	57,589,602
Non-current Assets:			
Property, plant and equipment	10	3,219,003	4,314,676
Right-of-use assets	11	162,776	-
Investment properties	12	133,649,033	135,885,871
Deferred tax assets	20	202,551	133,414
Intangible assets	13	1,754,351	1,749,292
Non-current portion of other financial assets	6	2,318,728	2,257,053
Goodwill arising on acquisition	15	10,099,216	10,382,237
Total non-current assets		151,405,658	154,722,543
Total assets		236,892,893	212,312,145
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	19	2,095,760	2,094,898
Provision	16	338,954	5,126
Accounts payable and other liabilities	16	11,110,689	11,068,984
Total current liabilities		13,545,403	13,169,008
Non-current Liabilities:			
Interest-bearing loans and borrowings	19	73,225,739	74,419,860
Other long-term liabilities	16	2,558,272	2,763,852
Deferred tax liability	20	5,133,801	1,171,211
Total non-current liabilities		80,917,812	78,354,923
Shareholders' Equity:			
Issued capital	17	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		130,152,088	107,303,493
Translation difference		(2,024,686)	(1,356,648)
Treasury shares, at cost	17	(41,751,015)	(41,212,427)
Equity attributable to equity holders of the parent company		142,415,328	120,773,359
Non-controlling interests in consolidated subsidiaries		14,350	14,855
Total shareholders' equity		142,429,678	120,788,214
Total liabilities and shareholders' equity		236,892,893	212,312,145

The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Income Statement
Figures in EUR

	Note	2019	2018
		EUR	EUR
Revenue	21	38,036,918	38,991,005
Cost of sales	22	(2,469,642)	(3,032,170)
Gross Profit		35,567,276	35,958,835
Operating expenses	18	(26,683,083)	(25,820,188)
Gain on disposal of the sales of investment properties	23	21,604,590	-
Operating profit (EBIT)		30,488,783	10,138,647
Interest income		6,914	6,911
Interest expenses	19	(1,978,292)	(2,570,273)
Income before income tax		28,517,405	7,575,285
Income tax expense	20	(5,668,158)	(1,493,693)
Net income		22,849,247	6,081,592
Attributable to:			
Equity holders of the parent company		22,848,595	6,080,254
Non-controlling interests		652	1,338
Net income		22,849,247	6,081,592
Basic earnings per share	29	0.52	0.13
Diluted earnings per share	29	0.52	0.13

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The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Note	2019	2018
		EUR	EUR
Net income		22,849,247	6,081,592
Other comprehensive income:			
Exchange gain/(loss) on translation of foreign operations*	24	(668,429)	(847,748)
Total comprehensive income/ (loss)		22,180,818	5,233,844
Attributable to:			
Equity holders of the parent company		22,180,557	5,233,148
Non-controlling interests		261	696
		22,180,818	5,233,844

*Will be subsequently reclassified to profit or loss on the disposal of the relevant foreign operations.

The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2019

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2019	**30,543,933**	**25,495,008**	**107,303,493**	**(1,356,648)**	**(41,212,427)**	**120,773,359**	**14,855**	**120,788,214**
Net income 2019	–	–	22,848,595	–	–	**22,848,595**	652	**22,849,247**
Other comprehensive income	–	–	–	(668,038)	–	**(668,038)**	(391)	**(668,429)**
Total comprehensive income	–	–	22,848,595	(668,038)	–	**22,180,557**	261	**22,180,818**
Purchase of treasury shares (note 17)	–	–	–	–	(538,588)	**(538,588)**	–	**(538,588)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(766)	**(766)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2019	**30,543,933**	**25,495,008**	**130,152,088**	**(2,024,686)**	**(41,751,015)**	**142,415,328**	**14,350**	**142,429,678**

The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2018

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2018	**30,543,933**	**25,495,008**	**101,223,239**	**(509,542)**	**(26,315,506)**	**130,437,132**	**17,557**	**130,454,689**
Net income 2018	–	–	6,080,254	–	–	**6,080,254**	1,338	**6,081,592**
Other comprehensive income	–	–	–	(847,106)	–	**(847,106))**	(642)	**(847,748)**
Total comprehensive income	–	–	6,080,254	(847,106)	–	**5,233,148**	696	**5,233,844**
Purchase of treasury shares (note 17)	–	–	–	–	(14,896,921)	**(14,896,921)**	–	**(14,896,921)**
Shareholder dividends	–	–	–	–	–	–	–	–
Minority dividends	–	–	–	–	–	–	(3,398)	**(3,398)**
Purchase from Minority shareholders	–	–	–	–	–	–	–	–
31 December 2018	**30,543,933**	**25,495,008**	**107,303,493**	**(1,356,648)**	**(41,212,427)**	**120,773,359**	**14,855**	**120,788,214**

The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Cash Flows
Figures in EUR

	Note	2019	2018
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes	25	28,517,405	7,575,285
Depreciation and amortisation	18	7,279,583	8,041,382
Scrapped tangible assets	10	500,486	476,801
Write off of inventories	8	677,931	909,495
Impairment loss of debtors and reversals	7	5,157	(1,296)
Derecognition of investments		9,020	-
Creation of provision and reversals	18	334,405	(179,607)
Loss/(gain) on disposals of fixed assets	10,12,13	(3,059,381)	(120,435)
Loss/(gain) on disposals of asset held for sale	9	(18,539,808)	-
Interest income		(6,914)	(6,911)
Effect of spread of rental related incentives and allowance		(342,202)	502,551
Interest expenses	19	1,978,292	2,570,273
Changes in working capital:			
Accounts receivable and prepayments		(714,408)	1,951,129
Inventories		469,953	144,696
Accounts payable and other liabilities		(224,448)	(2,689,584)
Short-term and low value lease		100,770	-
Cash generated from operations		16,985,841	19,173,779
Income tax paid	20	(1,803,225)	(3,015,677)
Net cash flow from operating activities		15,182,616	16,158,102
Cash flows from investing activities:			
Acquisition of investment properties	12	(10,030,680)	(805,674)
Acquisition of tangible and intangible assets	10,12,13	(384,581)	(1,275,603)
Sale proceeds less cost to sell of tangible and intangible assets	10,12,13	4,140,058	256,524
Sale proceeds less cost to sell of asset held for sale	23	38,354,044	-
Other changes of tangible and intangible assets	10,12,13	136,561	(123,282)
Repayments of loans granted		(477,940)	690
Interest received		6,911	6,910
Net cash flow used in investing activities		31,744,373	(1,940,435)
Cash flows from financing activities:			
Loan received	19	38,111	23,297
Dividends paid		(766)	(3,398)
Interest paid		(1,629,918)	(2,234,956)
Lease interest paid		(1,620)	-
Repayments of loan received	19	(1,693,063)	(12,074,984)
Payment of principal portion of lease liabilities		(50,775)	-
Purchase of treasury shares	17	(538,588)	(14,896,921)
Change in other long term liabilities		(97,374)	(378,327)
Net cash flow from financing activities		(3,973,993)	(29,565,289)

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Cash Flows
Figures in EUR

	Note	2019	2018
		EUR	EUR
Change in cash and cash equivalents		42,952,996	(15,347,622)
Cash and cash equivalents at beginning of the year	5	24,413,098	38,805,572
Effect of foreign currency translation		911,968	955,148
Cash and cash equivalents at end of the year	5	68,278,062	24,413,098

The accompanying notes on pages 27 to 84 form an integral part of these consolidated financial statements.

1. General

Further to the decision of the shareholders, as of 31 December, 2008, the Court of Registration cancelled Fotex Nyrt. from the companies register on the grounds of transformation and, according to the Court's decision dated 9 January, 2009, registered FOTEX HOLDING S.E. Nyilvánosan Működő Európai Részvénytársaság (FOTEX HOLDING S.E. European public limited company) as of 1 January, 2009. Following the transformation into a European public limited company, the Company's Extraordinary General Meeting held on 4 June, 2009 decided to move the Company's registered office to Luxembourg. The Company has been registered in the Luxembourg companies register under the number R.C.S. B 146.938. The Company's current registered address is 272, rue de Neudorf, L-2222 Luxembourg, Luxembourg. The Metropolitan Court of Budapest, as the competent authority, struck the Company off the Hungarian companies register on 28 August 2009.

Fotex Holding S.E. ("Fotex" or the "Company") is a European public limited company regulated under the laws of the Grand Duchy of Luxembourg. The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities. Fotex Holding S.E. is the ultimate parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiaries	Principal Activities	Issued capital EUR		Ownership (%)		Voting rights %	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	10,524,199	10,524,199	100.00	100.00	100.00	100.00
Fotex Netherlands B.V.	Property management	150,018,000	150,018,000	100.00	100.00	100.00	100.00
FN2 B.V.	Property management	18,000	18,000	100.00	100.00	100.00	100.00
FN3 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN4 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
FN5 B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Fotexnet Kft.	Internet retail and other services	1,595,501	1,595,501	100.00	100.00	100.00	100.00
Hungaroton Music Zrt.	Music archive	480,399	480,399	99.21	99.21	99.21	99.21
Keringatlan Kft.	Property management	3,751,896	3,751,896	99.99	99.99	99.99	99.99
Long Term CRE Fund B.V.	Property management	100	100	100.00	100.00	100.00	100.00
Plaza Park Kft.	Property management	18,897	18,897	100.00	100.00	100.00	100.00
Sigma Kft.	Property services	100,650	100,650	100.00	100.00	100.00	100.00
Székhely 2007 Kft.	Property services	102,949	102,949	99.27	99.27	99.28	99.28
Upington Investments S.à r.l.	Investment holding	12,500	12,500	100.00	100.00	100.00	100.00

2. Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except as explained in the Change in accounting policies section of this note. The consolidated financial statements are presented in EUR, except where otherwise indicated.

Comparative figures

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of compliance

The subsidiaries of the Group maintain their official accounting records and prepare their individual financial statements in accordance with the accounting regulations of their country of registration. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December 2019 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU.

As a result of Fotex's transformation to an S.E. (Societas Europaea) from 1 January 2009, Fotex Holding S.E. became a European public limited company. Fotex moved its registered office to Luxembourg and is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December 2019. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Fotex controls an investee if, and only if, it has:

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

When Fotex has less than a majority of the voting or similar rights of an investee, Fotex considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Fotex's voting rights and potential voting rights

2. Significant Accounting Policies (continued)

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Fotex's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Fotex loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

As a result of its transformation into a European public limited company, the Company's financial records have been kept in EUR since 1 January 2009. Accordingly, the Group's consolidated financial statements are prepared in Euro ("EUR").

Foreign currency translation

The functional currency of the Group's subsidiaries included in the consolidation is the Hungarian Forint ("HUF") – except for the subsidiaries outside of Hungary, whose functional currency is EUR. Considering that the reporting currency is EUR, it is necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

The following foreign currency ("FX") rates have been applied at the conversion from HUF to EUR:

	2019	2018
First half year	320.57 HUF/EUR	314.08 HUF/EUR
Second half year	330.09 HUF/EUR	323.65 HUF/EUR

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2019: 330.52 HUF/EUR (31 December 2018: 321.51). The income statement is converted to EUR using the half-year Hungarian National Bank average FX rate. The exchange difference in translation of foreign operations shown in the other comprehensive income.

2. Significant Accounting Policies (continued)

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 9.

Revenue from contracts with customers

<u>Sale of goods</u>

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products. The Group satisfies its performance obligations upon deliveries of such goods. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

<u>Service charges and expenses recoverable from tenants</u>

Income arising from expenses indirectly recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect. The Group satisfies its performance obligations over the related period of the services. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

When an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity’s fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Income arising from expenses directly recharged to tenants is recognised net of the related costs, as the management consider that the Group acts as agent in such cases.

2. Significant Accounting Policies (continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Group's Trade debtors continue to reliably keep the deadlines therefore the level of impairment under IFRS 9 did not change.

The Group continuously monitors the collection of its receivables and takes early actions in case of delays in payments. As a result, the volume of overdue receivables is very low, less than 1 % of the invoiced revenues. In case of a major delay, the Group evaluates the collectibility of receivables individually and accounts for write-off to the necessary level, on a case-by-case basis. Following these actions, the Group considers the residual risk of non-payment as insignificant, therefore the nominal value of the non-impaired receivables is considered as fair value. The Group evaluates the payment trends annually.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income receivable from operating leases less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non – cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

2. Significant Accounting Policies (continued)

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Management uses judgements during initial recognition, subsequent measurement, amortisation, impairment and de-recognition of financial instruments. Management's judgements that have the most significant effect on the financial statements are disclosed below in each sub-section in detail.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of certain trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

2. Significant Accounting Policies (continued)

The classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables (including mainly tax receivables) and other financial assets (both current and non-current, including mainly deposits received from tenants).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets

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IFRS 9 requires the Group to record an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

2. Significant Accounting Policies (continued)

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.

2. Significant Accounting Policies (continued)

Derecognition

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

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

Foreign currency translation

With Fotex's transformation to an S.E. (Societas Europaea) from 1 January 2009, Fotex became a European public limited company registered in Luxembourg that is regulated under the laws of the Grand Duchy of Luxembourg. As a consequence of the change of its registered office to Luxembourg, Fotex changed its major contracts to EUR and changed its functional currency from HUF to EUR. The reporting currency of the consolidated financial statements changed also from HUF to EUR.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Inventories

Inventories are valued at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items.

Materials and merchandise goods are valued at purchase cost on a weighted average basis. Purchase costs include purchase price, trade discounts, unrecoverable taxes, transport and other cost which are directly attributable to purchase of the raw materials and merchandising goods.

The value of work in progress and finished goods includes cost of direct materials and labour and a proportion of overheads in manufacturing subsidiaries, but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at purchase price or production cost less accumulated depreciation and impairment losses, if any. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	50
Plant and equipment	7-12.5
Vehicles	5
Computer equipment	3

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognised as other operating income or expense.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement as an operating expense.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial year-end.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

2. Significant Accounting Policies (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

<u>Group as a lessee:</u>

The Group has lease contracts for only few items of buildings, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2. Significant Accounting Policies (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that is considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor:

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors continues to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Additional disclosures are provided in Note 11 and Note 28.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are expensed in the period in which they occur, unless they are attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

2. Significant Accounting Policies (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over their useful economic life.

Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings and investment properties in Hungary	20
Buildings and investment properties in the Netherlands	30

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The carrying amounts are reviewed also when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The fair value of investment properties is assessed using the market comparables or the discounted cash flow method. Impairment losses are recognised in the income statement as an operating expense. The carrying amounts of investment properties are reviewed for impairment based on the fair values of the individual assets determined by an external valuation process. Impairment is accounted for if the fair value of an asset is lower than the carrying amount. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Upon every acquisition of investment properties the Company determines the individual components that have different useful lives and thus are depreciated separately. The Company determined so far two key components: land which is not depreciated and the buildings that are depreciated over 20 to 30 years. Upon acquisition, the Company investigates if a further separation of components is necessary. The basis of this investigation is the physical status of the building and its built-in equipment. In case the built-in equipment is worn out to an extent that it requires a replacement within five years, it shall be treated as a separate component and shall have a useful life based on its estimated remaining usage. Otherwise the equipment is considered as a vital part of the building and its useful life is determined in line with the building's useful life. Currently the Company has buildings where all the built-in equipment has the same useful life as its relevant building. Management experience on the real property operations market supports the above assumptions.

2. Significant Accounting Policies (continued)

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives such as production know-how and franchise fees are amortised using the straight-line method over the useful economic lives that range from 5 to 50 years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives such as merchandising and media rights are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2. Significant Accounting Policies (continued)

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Subsidiaries of the Group domiciled in Hungary pay local business tax to local municipalities at percentages based on the physical location of their operations in Hungary. The base of the local business tax is the revenue as decreased by the cost of goods sold, raw material expenses and certain other expense items. Local business tax is classified as an income tax expense.

2. Significant Accounting Policies (continued)

Capital management

For the purpose of the Group's capital management, capital includes issued capital, convertible preferre shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years 2019 and 2018.

Treasury shares

Fotex ordinary and dividend preferred shares repurchased are included in shareholders' equity and are classified as treasury shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own shares. Accordingly, any consideration paid or received in connection with treasury shares is recognised directly in equity.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 19. The fair value of non-financial assets including investment properties is determined for the purpose of the impairment test and for disclosure purposes. Investment property fair value is disclosed in Note 12.

As per IFRS 13 definition fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

2. Significant Accounting Policies (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Subsequent events

Material events occurring after the period-end that provide additional information about the Group’s position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for as follows:

New and amended standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that could be relevant to its operations and effective for accounting periods beginning on 1 January 2019.

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

Assets	
Right-of-use Assets	184,068
Property, plant and equipment	(40,903)
Total asset	**143,165**
Liabilities	
Lease liabilities	143,165
Total liabilities	**143,165**
Total adjustment on equity	**0**

2. Significant Accounting Policies (continued)

IFRS 16 Leases FRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has lease contracts for only few items of plant, machinery and buildings, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Additional disclosures are provided in Note 11 and Note 28.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

2. Significant Accounting Policies (continued)

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

2. Significant Accounting Policies (continued)

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

3. Significant Accounting Judgements, Estimates and Assumptions

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments – Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3. Significant accounting judgements, estimates and assumptions (continued)

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 is EUR 10,099,216 (2018: EUR 10,382,237). Further details are given in Note 15.

Impairment of Intangible Assets

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 13.

On 1 January 2012, the Hungarian Parliament enacted a law concerning the media and merchandising rights connected to sporting organisations. In this it was determined that media and merchandising rights connected to sporting clubs may only be owned by associations and not by third parties. Further where such rights were held by third parties prior to the change in the law then the ownership/usage right transfers to the sporting association from 1 January 2012. Where this is the case compensation is to be paid to the former owner of the rights based on an agreement to be reached between the parties. If an agreement is not reached by the parties, the local court of justice (Budapest court) will judge on the compensation on the basis of the market value of the rights as of the date of the transfer.

Fotex includes in its intangible assets the merchandising and media rights of FTC Labdarúgó Zrt. which are subject to the change in law described above. In management's opinion all these rights belong to the Group and the carrying value will be recovered.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. Further details are given in Note 20.

Fair Value of Investment Properties

The Group has determined and presented in the notes the fair value of investment property either as the present value of the estimated future cash flows generated from leasing such assets or using comparable prices. Future cash flows were determined separately for the following categories of investment property: retail outlets, offices, warehouses and other real estate property using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 14.

3. Significant accounting judgements, estimates and assumptions (continued)

Assets held for sale

During 2019 the Group decided to sell one of its properties in the Netherlands that are classified as assets held for sale. The Board considered the assets to meet the criteria to be classified as held for sale for the following reasons:

- The property is available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.
- The premises located in Rijswijk met the criteria on 31 March 2019.

During 2018 the Group decided to sell two of its properties in the Netherlands that are classified as assets held for sale. The Board considered the assets to meet the criteria to be classified as held for sale for the following reasons:

- Both premises are available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage.
- One of the premises, located in Rotterdam met the criteria on 30 November 2018, and the other, located in Hoofddorp on 31 December 2018.
- The Group has completed the sale of the premise located in Hoofddorp to an institutional investor in January 2019 and the other premise located in Rotterdam in June 2019.

4. Standards Issued but not yet Effective

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

5. Cash and Cash Equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates. The fair value of cash and short-term deposits is EUR 68,278,062 (31 December 2018: EUR 24,413,098).

Cash includes fixed deposit of EUR 24,157,555 at rate 0 % (in 2018 cash included EUR 1,762,046 at rate 0 %). The Group has pledged via an escrow agreement a part of its short-term deposits amounting to EUR 23,153,271 to fulfil collateral requirements. This cash can be used to purchase assets which can then be pledged to fulfil the same collateral requirements.

6. Other Financial Assets

Current	31 December 2019 EUR	31 December 2018 EUR
Cash deposits connected to rented properties	1,088,188	892,153
Other short-term investments	1,062	1,091
Other current financial assets, total	1,089,250	893,244

Non-current	31 December 2019 EUR	31 December 2018 EUR
Cash deposits connected to rented properties	2,280,304	2,208,417
Unquoted equity instruments	38,424	48,636
Other non-current financial assets, total	2,318,728	2,257,053

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at a bank (Note 16). Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within 3-12 months were classified as short-term.

7. Accounts Receivable and Prepayments

	31 December 2019	31 December 2018
	EUR	EUR
Accounts receivable	5,854,549	5,185,253
Impairment loss on accounts receivable	(11,997)	(15,823)
Tax assets	200,603	138,544
Other receivables	475,528	595,689
Prepayments/accrued income	1,404,317	844,322
Impairment loss on other receivables	(1,418)	(10,984)
Total	7,921,582	6,737,001

Tax assets are mainly VAT receivable and are typically received within three months.

Impairment loss on debtors and on other receivables at 31 December 2019 is EUR 13,415 (31 December 2018: EUR 26,807).

Movements in impairment loss:

	EUR
1 January 2018	117,894
Charge for the year	10,682
Unused amount reversed	(11,978)
Utilised*	(87,650)
Currency gain/(loss) arising on retranslation	(2,141)
31 December 2018	26,807
Charge for the year	5,157
Unused amount reversed	-
Utilised*	(18,321)
Currency gain/(loss) arising on retranslation	(228)
31 December 2019	13,415

*Impairment loss used due to qualifying the underlying receivable as bad debt.

7. Accounts Receivable and Prepayments (continued)

Aged debtors less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2019	5,095,910	694,049	33,127	12,253	841	6,372	5,842,552
31 December 2018	4,795,767	274,343	36,146	50,788	9,864	2,522	5,169,430

Aged tax assets, other receivables and prepayments less impairment loss:

	Not overdue and not impaired	Overdue but not impaired					Total
		< 30 days	30-90 days	90-180 days	180-360 days	>360 days	
31 December 2019	1,747,322	331,708	-	-	-	-	2,079,030
31 December 2018	1,254,199	144,833	101,184	4,333	40,293	22,729	1,567,571

8. Inventories

	31 December 2019	31 December 2018
	EUR	EUR
Merchandise and finished products	6,226,112	6,629,869
Materials	238,716	321,117
Work in progress	1,828,358	2,081,416
Inventories, gross	8,293,186	9,032,402
Impairment of merchandise and finished products	(3,548,348)	(3,079,551)
Impairment of materials	-	(8,529)
Impairment of work in progress	(575,236)	(626,836)
Impairment of inventories	(4,123,584)	(3,714,916)
Total inventories, net	4,169,602	5,317,486

Movements in inventory impairment loss:

Management has identified a number of Group companies that have slow moving inventories. Management believes that the EUR 4,123,584 provision made for the impairment of inventories (31 December 2018: EUR 3,714,916) is adequate, from this the current year increase is EUR 604,305 (in 2018: EUR 874,645), the current year reversal is EUR 94,366 (in 2018: EUR 0) which is disclosed as other operating expense (Note 18). The currency gain arisen on the retranslation of impairment is EUR 101,271 (in 2018: EUR 104,127). In addition to the impairment, EUR 3,957,169 were recognised as direct and indirect production cost of the sold inventories (2018: EUR 4,068,227).

9. Assets Held for Sale

In 2018 the Group decided to sell two of its premises in the Netherlands, located in Rotterdam and Hoofddorp. The criteria for assets held for sale was met in case of both properties, therefore they were reclassified from investment property to this category in the statement of financial position prepared for the year 2018. The net book value of these properties is EUR 19,814,236 (Rotterdam: EUR 4,587,423; Hoofddorp: EUR 15,226,813) at 31 December 2018. The sale of property located in Hoofddorp was completed in January 2019. The sales price was EUR 30,465,000 and further EUR 485,375 transaction costs have occurred. The sale of the other property was completed in June 2019. The agreed sales price was EUR 8,500,000 and EUR 125,581 transaction costs have occurred in connection with the settlements.

During 2019 the Group has decided to sell one of its properties located in Rijswijk in the Netherlands. The criteria of assets held for sale was met on 31 March 2019. This property is also reclassified to this category. The net book value is EUR 3,731,045 at 31 December 2019. The sale of the property was completed after the reporting period. The agreed sales price is EUR 4,000,000 and the estimated gain on the sale is EUR 268,955.

10. Property, Plant and Equipment

Movements in property, plant and equipment during 2019 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2019	**3,973,853**	**14,860,518**	**975,893**	**19,810,264**
Additions and capitalizations	7,515	741,820	(661,246)	88,089
Other increase	-	-	-	-
Other decrease	(37,630)	(46,644)	-	(84,274)
Disposals and write downs	(611,215)	(4,038,712)	-	(4,649,927)
Currency gain/(loss) arising on retranslation	(134,614)	(349,111)	(16,257)	(499,983)
31 December 2019	**3,197,909**	**11,167,870**	**298,390**	**14,664,169**
Accumulated depreciation:				
1 January 2019	**(2,345,782)**	**(13,149,806)**	**-**	**(15,495,588)**
Depreciation expense	(77,430)	(519,415)	-	(596,845)
Disposals and write downs	488,893	3,742,062	-	4,230,955
Other increase	-	-	-	-
Other decrease	-	5,741	-	5,741
Currency gain/(loss) arising on retranslation	105,664	304,907	-	410,571
31 December 2019	**(1,828,655)**	**(9,616,511)**	**-**	**(11,445,166)**
Net book value				
31 December 2019	**1,369,254**	**1,551,359**	**298,390**	**3,219,003**
31 December 2018	**1,628,071**	**1,710,712**	**975,893**	**4,314,676**

* Construction in progress shows the net movement of current year.

10. Property, Plant and Equipment (continued)

At 31 December 2019, the cost of property, plant and equipment, investment properties and intangible assets fully written off (due to ordinary or extraordinary depreciation) but still in use was EUR 5,290,839 (2018: EUR 4,904,894).

The Property, Plant and Equipment does not contain the right-of-use assets, they are disclosed in a separate Note (Note 11).

Movements in property, plant and equipment during 2018 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2018	**3,781,410**	**18,007,861**	**677,557**	**22,466,828**
Additions	280,546	833,108	324,970	1,438,624
Other increase	-	22,889	-	22,889
Other decrease	(13,614)	-	-	(13,614)
Disposals and write downs	(152,749)	(3,392,741)	-	(3,545,490)
Currency gain/(loss) arising on retranslation	78,260	(610,599)	(26,634)	(558,973)
31 December 2018	**3,973,853**	**14,860,518**	**975,893**	**19,810,264**
Accumulated depreciation:				
1 January 2018	**(2,322,984)**	**(15,961,342)**	**-**	**(18,284,326)**
Depreciation expense	(24,475)	(574,003)	-	(598,478)
Disposals and write downs	116,345	2,865,820	-	2,982,165
Other increase	-	(22,891)	-	(22,891)
Other decrease	39,427	-	-	39,427
Currency gain/(loss) arising on retranslation	(154,095)	542,610	-	388,515
31 December 2018	**(2,345,782)**	**(13,149,806)**	**-**	**(15,495,588)**
Net book value				
31 December 2018	**1,628,071**	**1,710,712**	**975,893**	**4,314,676**
31 December 2017	**1,458,426**	**2,046,519**	**677,557**	**4,182,502**

* Construction in progress shows the net movement of current year.

11. Right-of-Use Assets

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Movements in right-of-use assets during 2019 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Total
	EUR	EUR	EUR
Cost:			
1 January 2019	**143,165**	**46,644**	**189,809**
Additions	29,877	-	29,877
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	-	-
Currency gain/(loss) arising on retranslation	(2,707)	(730)	(3,437)
31 December 2019	**170,335**	**45,914**	**216,249**
Accumulated depreciation:			
1 January 2019	**-**	**(5,741)**	**(5,741)**
Depreciation expense	(39,265)	(9,317)	(48,582)
Disposals and write downs	-	-	-
Other increase	-	-	-
Other decrease	-	-	-
Currency gain/(loss) arising on retranslation	615	235	850
31 December 2019	**(38,650)**	**(14,823)**	**(53,473)**
Net book value			
31 December 2019	**131,685**	**31,091**	**162,776**
31 December 2018	**143,165**	**40,903**	**184,068**

12. Investment Properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation.

Movements in investment properties measured at cost in 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Cost:	EUR	EUR
Opening balance	**201,529,251**	**229,013,768**
Additions	10,030,680	805,674
Other increase	70,050	-
Disposal	(2,009,044)	(55,283)
Reclassification to assets held for sale	(4,459,865)	(25,318,520)
Currency gain/(loss) arising from retranslation	(1,969,216)	(2,916,388)
Closing balance	**203,191,856**	**201,529,251**
Accumulated depreciation:		
Opening balance	**(65,643,380)**	**(65,302,638)**
Depreciation expense	(6,615,246)	(7,410,508)
Impairment	-	-
Other increase	-	-
Disposal	922,696	8,427
Reclassification to assets held for sale	728,820	5,504,284
Currency gain/(loss) arising from retranslation	1,064,287	1,557,055
Closing balance	**(69,542,823)**	**(65,643,380)**
Net book value:		
Closing balance	**133,649,033**	**135,885,871**
Opening balance	**135,885,871**	**163,711,130**

FOTEX Netherlands BV concluded a purchase agreement on 25 September 2019 to buy a real estate property with the aim to use it as an investment property. The property is located in Utrecht and the agreed purchase price was EUR 6,954,334. Additions also include refurbishment works carried out in several Hungarian and Dutch properties.

During 2019 the Group has decided to sell one of its properties located in Rijswijk in the Netherlands. The criteria of assets held for sale was met on 31 March 2019. This property has been reclassified to asset held for sale. The net book value is EUR 3,731,045 at 31 December 2019.

The sale of the property shall be completed after the reporting period. The agreed sales price is EUR 4,000,000 and the estimated gain on the sale is EUR 268,955.

In 2019 the Group decided to sell one of its premises in Hungary located in Veszprém. The net book value was EUR 935,219 and the agreed sales price was EUR 4,000,000. The sale of the investment property was completed in December 2019.

12. Investment Properties (continued)

The fair value of investment properties at 31 December 2019 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	155,987	21,465,744	174,301,960
Offices	88,652	84,108,941	142,078,815
Warehouses	62,757	1,834,719	14,373,765
Other structures	24,756	2,764,310	5,756,355
Plots of land	860,918	23, 475,319	43, 280,018
Total investment properties	1,193,070	133,649,033	379,790,913

The Company determines the fair value of investment properties once a year, and the fair value is presented in the consolidated financial statements as of 31 December.

The fair values of investment properties at 31 December 2018 are set out below:

Category	Area	Net book value	Estimated fair value
	m^2	EUR	EUR
Retail outlets	164,773	23,933,080	169,544,735
Offices	86,545	84,996,671	141,830,726
Warehouses	62,757	1,333,413	10,934,254
Other structures	25,033	3,630,948	8,655,018
Plots of land	899,182	21,991,759	36,255,198
Total investment properties	1,238,290	135,885,871	367,219,931

The fair value of investment property is determined based on an external real estate valuation (Duna House Értékbecslő Kft.) using recognised valuation techniques.

These techniques comprise both the comparable market price method and the Discounted Cash Flow Method. Present values of the future cash flows are determined separately for each presented category based on the currently realised rental rates. Unbuilt plots of land were valued based on the comparable market prices method. The valuers have used their market knowledge and professional judgement and have not only relied on historical transactional comparables.

The valuations were performed by an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

12. Investment Properties (continued)

Key valuation assumptions for 2019

The present values of the investments have been calculated based on a market yield rate which is suitable to measure properties in the relevant market.

The market comparatives valuation method was based on the following assumptions:

- Rents on investment properties have been calculated based on the contractual rental fees and market comparative method considering 3% to 5% renovation fund and 95% occupation rate.

- The used yield rate per property item located in Hungary is between 6.5% and 12.75% depending on the type and location of the property (2018: 6.75%-13.00%). For the Dutch properties, the calculated yield rate is between 6.15% and 7.50% (2018: 5.65%-12.25%).

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related yield has been calculated at a 325 HUF/EUR exchange rate (2018: 325 HUF/EUR) though this relates only to a small number of properties.

Discounted cash flow valuation method was based on the following assumptions; a 10-years rental period was assumed with 6.75 – 8.00% discount factor and 7.5-8.00% exit interest rate. The applied FX rate was 325 HUF/EUR and the anticipated HICP rate was 2.00% p.a.

The correlation between the most probable change in the key assumptions and the fair value of the property portfolio is illustrated by the sensitivity analysis below for the valuation based on the comparable market price method:

	2019 EUR	2018 EUR
Yield rate drops by 50 bps	18,079,588	17,235,531
Rent rate drops by 5%	(13,026,310)	(6,503,250)

The management considers the yield variation of 50 bps as a normal variation on a stable market. A drop of rent rate by 5% may happen on an oversupplied market thus fairly representing the risk of revenue fall.

The value of land is typically estimated based on publicly available benchmarks and then adjusted accordingly to reflect the individual circumstances of the land (date of sale, property characteristics, selling terms, etc.).

The total area of land, beneath existing buildings and the unused land proportion of warehouses and similar properties, which were excluded from the fair value assessment is 496,157 m2 (2018: 533,398 m2).

12. Investment Properties (continued)

The following table discloses the income from the rental of investment properties net of unrecoverable costs:

	2019	2018
	EUR	EUR
Revenues from the rent of investment properties	24,571,904	25,366,165
Unrecoverable net operating costs	(1,585,880)	(1,931,705)
Costs that do not generate direct sales revenues	-	-
Net income from the rent of investment properties	22,986,024	23,434,460

13. Intangible Assets

Movements in intangible assets during 2019 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2019	**6,667,194**	**823,456**	**7,490,650**
Additions	-	53,400	53,400
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	(78,251)	(78,251)
Currency gain/(loss) arising from retranslation	-	(96,228)	(96,228)
31 December 2019	**6,667,194**	**702,378**	**7,369,572**
Accumulated amortisation:			
1 January 2019	**(5,008,798)**	**(732,560)**	**(5,741,358)**
Amortisation expense	-	(18,910)	(18,910)
Impairment	-	-	-
Other increase	-	-	-
Other decrease	-	-	-
Disposals and write downs	-	46,860	46,860
Currency gain/(loss) arising from retranslation	-	98,187	98,187
31 December 2019	**(5,008,798)**	**(606,423)**	**(5,615,221)**
Net book value:			
31 December 2019	**1,658,396**	**95,955**	**1,754,351**
31 December 2018	**1,658,396**	**90,896**	**1,749,292**

*The column ’Other’ reflects the value of software.

13. Intangible Assets (continued)

Movements in intangible assets during 2018 were as follows:

	Media and merchandising rights	Other*	Total
	EUR	EUR	EUR
Cost:			
1 January 2018	**6,667,194**	**863,539**	**7,530,733**
Additions	-	20,979	20,979
Other increase	-	104,784	104,784
Other decrease	-	(22,242)	(22,242)
Disposals and write downs	-	(16,844)	(16,844)
Currency gain/(loss) arising from retranslation	-	(126,760)	(126,760)
31 December 2018	**6,667,194**	**823,456**	**7,490,650**
Accumulated amortisation:			
1 January 2018	**(5,008,798)**	**(856,842)**	**(5,865,640)**
Amortisation expense	-	(32,396)	(32,396)
Impairment	-	-	-
Other increase	-	(32,270)	(32,270)
Other decrease	-	44,489	44,489
Disposals and write downs	-	14,051	14,051
Currency gain/(loss) arising from retranslation	-	130,408	130,408
31 December 2018	**(5,008,798)**	**(732,560)**	**(5,741,358)**
Net book value:			
31 December 2018	**1,658,396**	**90,896**	**1,749,292**
31 December 2017	**1,658,396**	**6,697**	**1,665,093**

*The column 'Other' reflects property rental rights associated with subsidiaries and the value of software.

As part of discontinuing its ownership of FTC Labdarúgó Zrt., (a company that operates and manages the football club „FTC") acquired in 2001 (at a cost of HUF 1.9 billion – ca, EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights (billboards) in 2003 for an unlimited period for which an impairment of EUR 4,008,798 has been recorded in prior years. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to the Club's address, logo and name reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which is still under negotiation by the parties. In consideration of the long-lasting procedure further impairment of EUR 1,000,000 has been recognized in 2015. Should the parties be unable to reach an agreement, the amount of compensation will be determined based on the fair value of the rights at the time of reversal by a court competent to act based on the location of the Club's headquarters.

In 2016 the Court ruled in favour of the Company, however FTC Zrt and FTC Association turned to the Supreme Court against the ruling of the Civil Court. In 2018 the Supreme Court has rejected the claim of FTC Zrt. and FTC Association, so the ruling of the Civil Court remained in force. Based on this ruling FTC Zrt. and FTC Association shall pay for compensation and grant the use of Skybox and 8 VIP tickets.

13. Intangible Assets (continued)

As of December 31, 2019, the agreement of the Settlement due remains outstanding. As this is now a legal certainty tested at Supreme Court level management is confident that the amount shown in the balance sheet is fully recoverable.

14. Fair Value

The following table provides the fair value measurement hierarchy of the Group’s assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 12):			
Retail outlets	31 December 2019	174,301,960	174,301,960
Offices	31 December 2019	142,078,815	142,078,815
Warehouses	31 December 2019	14,373,765	14,373,765
Other structures	31 December 2019	5,756,355	5,756,355
Plots of land	31 December 2019	43,280,018	43,280,018
Total		**379,790,913**	**379,790,913**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 19)			
IX. mortgage	31 December 2019	-	-
X. mortgage	31 December 2019	-	-
XI. loan	31 December 2019	4,033,459	4,033,459
XIV. loan	31 December 2019	5,881,153	5,881,153
XV. loan	31 December 2019	66,176,563	66,176,563
Total		**76,091,175**	**76,091,175**

Assets and liabilities in the above table are not presented at fair value in the statement of financial position, but their fair value is disclosed. Receivables are presented in the consolidated statement of financial position at cost less impairment loss on doubtful accounts. Bank loans having a variable interest rate approximated their fair values. The fair value of fixed rate debt is disclosed in Note 19.

14. Fair Value (continued)

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

		Fair value measurement using	
	Date of valuation	**Total**	**Significant unobservable inputs (Level 3)**
		EUR	EUR
Assets for which fair values are disclosed:			
Investment properties (Note 12):			
Retail outlets	31 December 2018	169,544,735	169,544,735
Offices	31 December 2018	141,830,726	141,830,726
Warehouses	31 December 2018	10,934,254	10,934,254
Other structures	31 December 2018	8,655,018	8,655,018
Plots of land	31 December 2018	36,255,198	36,255,198
Total		**367,219,931**	**367,219,931**
Liabilities for which fair values are disclosed:			
Interest-bearing loans and borrowings (Note 19)			
VIII. mortgage	31 December 2018	-	-
IX. mortgage	31 December 2018	7,078	7,078
X. mortgage	31 December 2018	10,172	10,172
XI. loan	31 December 2018	4,155,147	4,155,147
XIV. loan	31 December 2018	6,004,651	6,004,651
XV. loan	31 December 2018	66,707,240	66,707,240
Total		**76,884,288**	**76,884,288**

15. Goodwill Arising on Acquisition

Movements in goodwill on business combinations were as follows during 2019 and 2018:

	31 December 2019	31 December 2018
	EUR	EUR
Cost:		
1 January	17,440,273	18,079,649
Currency difference arising from retranslation	(475,423)	(639,376)
Closing balance	16,964,850	17,440,273
Impairment:		
1 January	(7,058,036)	(7,316,790)
Currency difference arising from retranslation	192,402	258,754
Closing balance	(6,865,634)	(7,058,036)
Net book value		
1 January	10,382,237	10,762,859
Closing balance	10,099,216	10,382,237

Goodwill is tested for impairment at least annually. Goodwill may be created by the recognition of deferred taxation in excess of its fair value. Therefore, in performing an impairment test, the amount of such deferred tax is offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.

Goodwill is therefore tested as follows:

	31 December 2019	31 December 2018
	EUR	EUR
Total goodwill	10,099,216	10,382,237
Residual balance of deferred tax liability, in excess of the fair value, initially provided on acquisition	(1,381,531)	(1,420,247)
Goodwill tested for impairment	8,717,685	8,961,990

The goodwill tested for impairment is allocated to the group of cash generating units that constitute Plaza Park Kft. and the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2019. Management estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

15. Goodwill Arising on Acquisition (continued)

Goodwill is allocated to the following entities:

	31 December 2019	31 December 2018
	EUR	EUR
Keringatlan Kft.	8,490,602	8,728,543
Plaza Park Kft.	1,608,614	1,653,694
Net book value	10,099,216	10,382,237

The difference between the net book value as at 31 December 2019 and 31 December 2018 is solely due to the change in the exchange rate.

16. Accounts Payable, Other Liabilities and Provision

	31 December 2019	31 December 2018
	EUR	EUR
Trade payables	805,664	860,872
Taxes payable	1,108,179	1,088,946
Advances from customers	119,587	143,915
Accrued expenses	987,939	1,051,468
Deferred rental income	5,662,394	5,711,834
Amounts payable to employees	172,117	153,118
Deposits from tenants	1,088,188	892,153
Other liabilities	1,166,621	1,166,678
Total accounts payable and other current liabilities	11,110,689	11,068,984
Other long-term liabilities	2,558,272	2,763,852

Terms and conditions of the above liabilities:

Trade payables are non-interest bearing and are typically settled on a 20 to 30-days term.

Other payables are non-interest bearing and have an average term of 1 to 3 months.

Payables to employees are non-interest bearing and represent one monthly salary with contributions.

Deposits from tenants are payable typically within 30 days of the end date of the underlying rental contract.

The Group has received 2 to 3 months deposits of EUR 3,368,492 (2018: EUR 3,100,069) from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year EUR 2,280,304 (2018: EUR 2,207,916), and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 1,088,188 (2018: EUR 892,153) (Note 6).

16. Accounts Payable, Other Liabilities and Provision (continued)

Other liabilities include the following:

	31 December 2019	31 December 2018
	EUR	EUR
Dividend payable	138,773	138,773
VAT compensation	277,970	277,971
Advances received for property management services	339,891	305,589
Liabilities against social security	70,559	117,165
Other short term liabilities	339,428	327,180
Total other liabilities	1,166,621	1,166,678

Provision:

In 2019 the Group accounted for provisions of EUR 339,398, from which EUR 302,950 was created for expenses in connection with the reorganisation of the Ajka crystal business.

Movements in provision:

	EUR
1 January 2019	5,126
Additional provisions created	339,398
Utilised during the year	(4,993)
Currency gain/(loss) arising on retranslation	(577)
31 December 2019:	338,954

Ajka Kristály Kft. experienced a significant downturn in its business during 2019 which has prompted management to take actions to reorganise the business to focus only on those activities that are able to generate sustainable profitability. This resulted in the reduction of headcount, the termination of glass production and the demolition of non core assets. Consequently management has recorded a provision of Euro 302,950 to complete the costs of this reorganisation that commenced during the third quarter of 2019.

Management's intention is neither to sell Ajka Kristály Kft. nor to shut it down completely.

17. Share Capital and Reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2019, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2018: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The "dividend preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.

17. Share Capital and Reserves (continued)

Holders of dividend preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

All dividend preferred shares are held in treasury.

Treasury shares

The 2,000,000 dividend preferred shares issued by the Company which are shown as part of “Issued capital” with total face value of EUR 840,000 in 2019; (2018: EUR 840,000) are also shown in “Treasury shares”.

As at 31 December 2019, the Company held 29,086,388 treasury shares (of which 27,086,388 are ordinary shares and 2,000,000 are dividend preferred shares) at a historic cost of EUR 41,751,015 (31 December 2018: 28,803,409 shares – of which 26,803,409 were ordinary shares and 2,000,000 were dividend preferred shares – at a historic cost of EUR 41,212,427).

During 2019, the Company purchased 282,979 of its ordinary shares (2018: 8,549,058 shares) on an arm’s length basis. All dividend preferred shares are owned by the Group.

18. Operating Expenses

Operating expenses include the following:

	2019	2018
	EUR	EUR
Payments to personnel	(5,408,593)	(5,401,249)
Material and service type expenses	(9,495,016)	(8,048,302)
Depreciation and amortisation charge	(7,279,583)	(8,041,382)
Other expenses, net*	(4,499,891)	(4,329,255)
Total operating expenses	(26,683,083)	(25,820,188)

* Other expenses (net) include the following:

	2019	2018
	EUR	EUR
Realised and unrealized FX differences (net)	(622,035)	(1,143,187)
Taxes other than income tax	(1,412,268)	(1,445,209)
Impairment and scrapping of tangible and intangible assets	(500,486)	(465,825)
Impairment and scrapping of inventories	(677,931)	(909,495)
Provision usage	4,993	184,699
Provision made	(339,398)	(5,092)
Development grants	(716,403)	(378,434)
Other expenses/income	(236,363)	(166,712)
Total other expenses, net	(4,499,891)	(4,329,255)

19. Interest-bearing Loans and Borrowings

The Group's Dutch subsidiaries obtained several mortgage loans from FGH Bank N.V and Berlin-Hannoversche Hypotheken bank AG between 2009 and 2015 to fund the purchase of properties. In 2015 another loan was taken out from Blackburn International Inc. All of these loans were repaid during 2015 and 2016. On 20 July, 2016 the Dutch subsidiaries took out a loan (Loan XV.) from Hypobank to refinance the previous loans.

In 2011, when the Group acquired its ownership in Plaza Park Kft., the compensation included the transfer of four intra-group loans; as a result these loans are recognised as liabilities to related parties in the consolidated financial statements. These four loans (Loans VIII.-XI.) are owed by the Group to Zürich Investments Inc.

On 20 July, 2016 FN4 B.V. took out a loan (Loan XIV.) from FGH Bank to fund the purchase of property Nieuwegein.

During 2018 Loan VIII. was fully repaid and in April 2019 the Group has also fully repaid the outstanding amount of loans IX and X to Zürich Investments Inc.

The details of the outstanding loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 31 December 2019 EUR	Current portion at 31 December 2019 EUR	Long-term portion at 31 December 2018 EUR	Current portion at 31 December 2018 EUR
IX. loan	1/7/2011	3/11/2018	1,500,000	fixed 7.25 % p.a.	-	-	-	7,078
X. loan	1/7/2011	17/12/2018	2,373,327	fixed 7.25 % p.a.	-	-	-	10,172
XI. loan	1/7/2011	28/6/2021	3,800,000	fixed 7.25 % p.a.	3,585,650	207,569	3,498,251	23,399
XIV. mortgage	20/07/2016	01/01/2021	6,315,805	fixed 3.27% p.a.	5,738,994	130,020	5,866,521	130,020
XV. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.89% p.a.	63,803,391	1,695,506	65,034,125	1,685,857
Overdraft and short term					-	10,747	-	229,249
Finance lease					97,704	51,918	20,963	9,123
Total			**90,885,756**		**73,225,739**	**2,095,760**	**74,419,860**	**2,094,898**

The above loans marked XIV. and XV. are secured by mortgage rights on the Fotex properties in the Netherlands and secured by pledge on rental income from the real estate properties and other assets of Fotex Netherlands B.V., FN2 B.V. and FN4 B.V..

Due to sale of the properties the interest rate on the mortgage of XV. loan has been changed during 2019 from 1.79% to 1.89%.

19. Interest-bearing Loans and Borrowings (continued)

The net book values of these properties at 31 December 2019 were as follows:

2719 EP Zoetermeer, Einsteinlaan 20	EUR 7,571,864
4205 AZ Gorinchem, Stadhuisplein 1a, 70 and 70a	EUR 9,804,471
2034 MA Haarlem, Schipholpoort 20	EUR 3,809,916
3439 LD Nieuwegein, Ravenswade 15	EUR 9,067,199
3528 BJ Utrecht, Papendorpseweg 65	EUR 11,860,225
1101 CE Amsterdam Southeast, Entrée 500	EUR 11,529,465

The loans marked IX. to XI. taken out for the purchase of the participation in Plaza Park Kft. are unsecured.

Included in the Group's total interest expense of EUR 1,978,292 (2018: EUR 2,570,273) is a total interest expense in relation to the loans XI.-XV. above of EUR 1,964,671 in 2019 (2018: EUR 2,563,558).

Obligation under lease consists of the lease of company vehicles and buildings. The Group has accounted EUR 42,701 interest in connection with the lease in 2019 (2018: EUR 987).

The scheduled maturity of loans at 31 December 2019 and 2018 is set out in EUR in the table below:

Due in	**within 1 year**	**between 1-2 years**	**between 2-3 years**	**between 3-4 years**	**over 4 years**	**Total**
2019	2,095,760	9,368,139	46,496	63,808,814	2,290	75,321,499
2018	2,094,898	13,080	9,367,860	4,795	65,034,125	76,514,758

In case of loans charged by a fixed interest rate the fair value was determined using a standard DCF model, in which a standard zero swap EUR curve was used as base for discounting, which was adjusted by the spread. In case of an unsecured loan the spread was estimated for 3.830%, in case of a secured loan for 3.473% and 1.860%.

In case of variable interest rate loans, there was no significant change in the interest rate until year-end, the book value approximates their fair value.

19. Interest-bearing Loans and Borrowings (continued)

Fair value of loans having a fixed interest rate:

Item	Fair value at 31 Dec 2019 EUR	Book value at 31 Dec 2019 EUR
IX. loan	-	-
X. loan	-	-
XI. loan	4,033,459	3,793,219
XIV. mortgage	5,881,153	5,869,014
XV. mortgage	66,176,563	65,498,897
Total	**76,091,175**	**75,161,130**

Item	Fair value at 31 Dec 2018 EUR	Book value at 31 Dec 2018 EUR
IX. loan	7,078	7,078
X. loan	10,172	10,172
XI. loan	4,155,147	3,521,650
XIV. mortgage	6,004,651	5,996,541
XV. mortgage	66,707,240	66,719,982
Total	**76,884,288**	**76,255,423**

20. Income Tax

Income tax (payable)/receivable:	2019	2018 restated
	EUR	EUR
Opening income tax (payable)/receivable	284,996	(980,238)
Income tax charge	(1,741,276)	(1,756,021)
Settlement of income tax	1,791,043	3,021,255
Closing income tax (payable)/receivable	334,763	284,996

The Group has identified an error in presentation of income tax payable and receivable in 2018. Consequently the comparative amounts have been changed.

Income tax expense:	2019	2018
	EUR	EUR
Tax expense	1,741,276	1,756,021
Deferred tax expense / (income)	3,926,882	(262,328)
Income tax expense	5,668,158	1,493,693

20. Income Tax (continued)

The actual corporate income tax rate departs from the rate specified in the tax law due to the following:

	2019	2018
	EUR	EUR
Income before minority interests and income taxes	28,517,405	7,575,285
Tax at average rate	3,395,636	1,070,604
Effect of tax losses for which no corresponding deferred tax asset recognized	158,955	117,861
Effect of tax rate differences	3,792,052	642,354
Effect of recurring tax relief	(632,555)	(379,111)
Effect of other permanent differences	(1,691,523)	(599,556)
Local business tax and innovation contribution	657,017	638,649
Reversed deferred tax asset on prior year's carried forward loss	(11,424)	2,892
Income tax expense	5,668,158	1,493,693

From 1 January, 2017 the tax rate of the taxable profit is 9% in Hungary.

The income tax rate applicable to Fotex Holding S.E.'s and Upington Investments S.à r.l.'s income earned in Luxembourg is 18.19% from 1 January 2019, which results in a total tax of 24.94% (2018: 19.26% and 26.01%) as decreased by Luxembourg's municipal business tax.

The income tax rate for Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN4 B.V., FN5 B.V. and Long Term CRE Fund B.V. is on the first EUR 200,000 of taxable profit 20%, above this amount 25%.

The Group is subject to periodic audit by the Hungarian, Dutch and Luxembourg Tax Authorities. As the application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the relevant tax authority.

In both 2019 and 2018 the tax rate used in the deferred tax calculation for the Hungarian companies is 9.00%.

In 2019 for the Luxembourg and Dutch entities: at the applicable income tax rates described above, for Fotex Netherlands B.V. a tax rate of 24.32% (2018: 24.10%), for FN2 B.V. 21.04% (2018: 24.28%), for FN3 B.V. 23.01% (2018: 23.09%), for FN4 B.V. 22,01% (2018: 21.09%), for FN5 B.V. 20% (2018: 20.00%) and in case of Long Term CRE Fund B.V. 22.76% (2018: 22.68%) tax rate was applied.

Deferred tax assets and deferred tax liabilities as at 31 December 2019 and 2018 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated income statement items were determined based on average foreign exchange rates for 2019.

In 2019 the Dutch and Luxembourg entities had positive tax base except for FN5 B.V. In 2018 the Dutch and Luxembourg entities had positive tax base except for Upington Investments S.à r.l. and FN5 B.V

20. Income Tax (continued)

The Hungarian entities had positive tax base in 2019 except for Ajka Kristály Kft., Hungaroton Music Zrt., Székhely Kft. and Fotexnet Kft. In 2018 Ajka Kristály Kft., Hungaroton Music Zrt. Fotexnet Kft. had negative tax base while the other entities in Hungary had positive tax base.

	Consolidated statement of financial position		Consolidated income statement	
	2019	2018	2019	2018
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(36,840)	(32,765)	(4,975)	7,610
Temporary difference between the book value and acquisition value of buildings	(822,725)	(900,242)	53,046	50,544
Capitalisations of small value assets	(21,250)	(17,483)	(4,249)	(4,659)
Difference from loan transaction charges	(69,333)	(93,226)	21,379	14,543
Deferred tax related to rental discount	(100,699)	(48,057)	(54,022)	118,979
Temporary difference on loan origination fees	(32,092)	(79,438)	45,239	87,289
Reinvested reserve*	(4,050,862)	-	(4,056,169)	-
Gross deferred income tax liabilities	(5,133,801)	(1,171,211)	(3,999,751)	274,306
Deferred income tax assets				
Provision	30,506	461	30,096	(15,673)
Impairment of debtors	0	807	(786)	(8,653)
Tax losses carried forward	96,554	87,531	11,425	(2,892)
Revaluation difference on related party transactions	75,491	44,615	32,134	15,240
Gross deferred income tax assets	202,551	133,414	72,869	(11,978)
Deferred income tax income / (expense)			(3,926,882)	262,328
Net deferred income tax liability	(4,931,250)	(1,037,797)		

*The group has taken advantage of the possibility to defer the tax on the capital gain on disposal of its Dutch properties in 2019. This allows the group to defer the tax on the capital gain for a period of up to three years after the end of the financial year of the sale and may be avoided to the extent the proceeds are reinvested in qualifying properties from the same legal entity. This relief has been shown as the reinvested reserve in the deferred tax disclosure above.

21. Revenue

Sales revenue	2019	2018
	EUR	EUR
Rental income revenue	25,031,182	25,173,060
Revenue from contracts with customers	13,005,736	13,817,945
Total sales revenue	38,036,918	38,991,005

The revenues generated by real estate management are decreased slightly during the fiscal year. The decrease is derived from the sale of two properties in the Netherlands in 2019 (see Note 9), which was partially offset by the revenues generated by the new tenants in other premises. Fall of revenues from contracts with customers is attributable to the drop of crystal sales.

Revenue from contracts with customers

	2019	2018
	EUR	EUR
Sale of goods*	5,175,439	5,828,883
Revenue from service charges to tenants	2,777,160	2,814,155
Provision of services	3,731,085	3,327,736
Royalty revenue	354,508	354,407
Other sales revenue**	967,544	1,492,764
Total sales revenue	13,005,736	13,817,945

*Crystal and glass sales mainly reflect export sales realised in USD and EUR.
**Other sales revenues contain various minor items, such as revenues from cinema operation, marketing and consultancy fees and mainly reflect sales realised in HUF.

Revenues from selling of goods are generated primarily by sales of crystal and glass products. The reason of the decrease of sales is the decline of demand (see Note 16).

Contract balances

	31 December 2019	31 December 2018
	EUR	EUR
Trade receivables (Note7)	1,007,921	597,071
Contract liabilities (Note16)	119,587	143,915

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. No extraordinary transactions occurred.

21. Revenue (continued)

The decrease in contract liabilities in 2019 was mainly due to realised revenue regarding short-term advances received from customers during the year.

Set out below is the amount of revenue recognised from:

	31 December 2019	31 December 2018
	EUR	EUR
Amounts included in contract liabilities at the beginning of the year	137,462	12,174

22. Cost of Sales

Cost of sales include the following:

Cost of sales	2019	2018
	EUR	EUR
Raw materials and consumables	(1,664,999)	(1,413,656)
Cost of goods sold	(785,823)	(1,486,348)
Cost of services sold	(18,820)	(132,166)
Total cost of sales	(2,469,642)	(3,032,170)

23. Gain on Disposal of The Sales of Investment Properties

The details of the sales and gain are set out below:

EUR	Hoofddorp	Rotterdam	Veszprém	Total
Sales price	30,465,000	8,500,000	4,000,000	42,965,000
Net book value	(15,226,813)	(4,587,423)	(935,218)	(20,749,454)
Transaction costs and settlements	(485,375)	(125,581)	-	(610,956)
Net gain	14,752,812	3,786,996	3,064,782	21,604,590

24. Other Comprehensive Income Components

Foreign exchange differences arising on the translation of the functional currencies to EUR of subsidiaries whose functional currency is other than EUR are presented through other comprehensive income. Such foreign exchange differences arise from the fluctuations between EUR and the functional currency of the subsidiaries during the year.

25. Segment Information

In 2011, the Group revised the operating segments based on IFRS 8. As the volume of certain segments decreased, the Group was divided into 3 business lines from 2011:

Investment property management
Crystal and glass manufacturing
All other segments (music publishing and retail, administration and holding activities).

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The profit or loss of each business segment contains revenues and expenses directly attributable to the segment and revenues and expenses that can be reasonably allocated to the segment from the Group's total profit or loss attributable to transactions with third parties or with other Group segments. The transfer prices applied in inter-segment transactions are based on the cost of the transactions as increased by the margins set out in the underlying Group policies. Profit is distributed among the segments before adjustment for non-controlling interests.

The Group has operations in the Netherlands, in Luxembourg and in Hungary. Geographical segments are not presented in the consolidated financial statements as the cost of producing such information would exceed its merits.

Segment assets and liabilities reflect operating assets and liabilities directly or reasonably attributable to each segment. Assets attributable to each segment are presented at cost less any depreciation and impairment loss in the Group consolidated statement of financial position.

Corporate and other items include primarily general overhead and administrative costs that relate to the Group as a whole and assets that are not directly attributable to any of the segments, for example short-term and long-term investments and liabilities that serve financing rather than operating purposes.

Capital expenditures in the reporting year reflect the total cost of segment assets that are expected to be used for more than one period (properties, equipment and fittings).

	2019	2019	2019	2018	2018	2018
Net sales:	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR	Net Sales external EUR	Net Sales inter-segment EUR	Net sales EUR
Investment property management	28,244,257	282,603	28,526,860	28,595,691	395,293	28,990,984
Crystal and glass manufacturing	3,848,696	221,553	4,070,249	4,497,121	456,699	4,953,820
All other segments	5,943,965	2,713,298	8,657,263	5,898,193	2,202,780	8,100,973
Inter-segment elimination	-	(3,217,454)	(3,217,454)	-	(3,054,772)	(3,054,772)
Net sales	38,036,918	-	38,036,918	38,991,005	-	38,991,005

25. Segment Information (continued)

Material-type expenses:	2019 Material-type expenses external EUR	2019 Material-type expenses inter-segment EUR	2019 Material-type expenses EUR	2018 Material-type expenses external EUR	2018 Material-type expenses inter-segment EUR	2018 Material-type expenses EUR
Investment property management	(6,246,727)	(2,073,175)	(8,319,902)	(5,484,662)	(1,942,911)	(7,427,573)
Crystal and glass manufacturing	(415,929)	(148,819)	(564,748)	(643,970)	(157,994)	(801,964)
All other segments	(2,832,360)	(618,841)	(3,451,201)	(1,919,670)	(578,703)	(2,498,373)
Inter-segment elimination	-	2,840,835	2,840,835	-	2,679,608	2,679,608
Material-type expenses	(9,495,016)	-	(9,495,016)	(8,048,302)	-	(8,048,302)

Income before income taxes:	2019 EUR	2018 EUR
Investment property management	30,562,313	8,803,934
Crystal and glass manufacturing	(1,690,919)	(1,106,717)
All other segments	(353,989)	(121,932)
Income before income taxes	28,517,405	7,575,285

Depreciation and amortisation:	2019 EUR	2018 EUR
Investment property management	(6,464,217)	(7,166,346)
Crystal and glass manufacturing	(170,794)	(237,630)
All other segments	(644,572)	(637,406)
Depreciation and amortisation:	(7,279,583)	(8,041,382)

25. Segment Information (continued)

Assets:	31 December 2019 Consolidated assets EUR	31 December 2019 Intra-business line assets EUR	31 December 2019 Total assets EUR	31 December 2018 Consolidated assets EUR	31 December 2018 Intra-business line assets EUR	31 December 2018 Total assets EUR
Investment property management	219,810,081	20,511,316	240,321,397	193,106,562	19,143,227	212,249,789
Crystal and glass manufacturing	7,403,464	18,483	7,421,947	9,325,812	48,232	9,374,044
All other segments	9,679,348	1,990,967	11,670,315	9,879,771	2,152,059	12,031,830
Inter-segment elimination	-	(22,520,766)	(22,520,766)	-	(21,343,518)	(21,343,518)
Net assets	236,892,893	-	236,892,893	212,312,145	-	212,312,145

Liabilities and accruals:	31 December 2019 Consolidated liabilities EUR	31 December 2019 Intra-business line payables EUR	31 December 2019 Total liabilities EUR	31 December 2018 Consolidated liabilities EUR	31 December 2018 Intra-business line payables EUR	31 December 2018 Total liabilities EUR
Investment property management	92,959,229	1,872,785	94,832,014	89,835,979	1,805,120	91,641,099
Crystal and glass manufacturing	640,263	686,500	1,326,763	786,830	417,415	1,204,245
All other segments	863,723	19,967,871	20,831,594	901,122	19,154,025	20,055,147
Inter-segment elimination	-	(22,527,156)	(22,527,156)	-	(21,376,560)	(21,376,560)
Liabilities and accruals:	94,463,215	-	94,463,215	91,523,931	-	91,523,931

Tangible and intangible asset additions*:	31 December 2019 EUR	31 December 2018 EUR
Investment property management	10,746,820	1,534,380
Crystal and glass manufacturing	71,622	208,317
All other segments	85,023	197,609
Tangible asset additions:	10,903,465	1,940,306

*Additions do not include constructions in progress.

26. Financial Risks, Management Objectives and Policies

The Group's primary financial liabilities, other than derivatives, include creditors, operating lease contracts and loans taken to purchase properties. The Group's various financial receivables include debtors, cash and short-term deposits and loan receivables. The Group's liquid assets are held in larger banks in Hungary, the Netherlands and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The highest risks related to the Group's financial instruments are FX risk, lending risk and interest risk. Management monitors all these risks and applies the following risk management procedures.

Interest rate risk

The Group entered into EUR loans to buy properties in the Netherlands. The loan interests fixed rates varying between 1.89% and 7.25%. The Group assumed four formerly intra-group loans which are uncovered as part of the compensation for acquiring its 100% participation in Plaza Park Kft. Accordingly, from 1 July 2011, the assumed loans qualify as related party loans from the Group's perspective. These loans bear a fixed interest rate of 7.25% per annum.

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues.

The Group also has a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its presentation currency.

According to management, beyond the Group's FX risk, the risk associated with the actual profit or loss position stems from the volume of orders and market demand which depends on global market trends rather than on FX rate fluctuations.

Certain of the Group's financial assets and liabilities are denominated in currencies other than the functional currency of Fotex Holding S.E. and are affected by EUR rate fluctuations as follows:

	Increase/decrease in HUF/EUR rate	Impact on total comprehensive income
		EUR
2019	+10%	(142,957)
	-10%	142,957
2018	+10%	(91,355)
	-10%	91,355

The financial instruments that are potentially subject to currency risk consist principally of foreign currency trade receivables and payables denominated in foreign currency other than EUR:

	2019	2018
	EUR	EUR
Financial liabilities	4,727,181	4,702,178
Financial assets	6,156,753	5,615,732

Financial liabilities (other liabilities and accrued expenses) and financial assets (trade receivables and accrued income) denominated in HUF increased slightly in 2019 compared to 2018.

26. Financial Risks, Management Objectives and Policies (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers.

Receivable balances are monitored on an ongoing basis.

Credit risk related to receivables resulting from the sale of inventory is managed by requiring customers to pay advances before transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 December 2019 the Group's maximum exposure to credit risk is EUR 79,222,225 (31 December 2018: EUR 34,041,113). The main reasons of this increase are cash and cash equivalent increased by EUR 43,864,964 in 2019 compared to 2018.

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

Liquidity risk

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity
- Monitoring weekly cash flows by entity
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities

26. Financial Risks, Management Objectives and Policies (continued)

The Group's liabilities based on contracted not discounted payments at 31 December 2019 and 2018 are presented below according to maturity.

31 December 2019	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	37,069	768,595	-	-	-	805,664
Taxes payable	-	932,508	175,671	-	-	1,108,179
Advances from customers	-	119,587	-	-	-	119,587
Accrued expenses	-	987,939	-	-	-	987,939
Amounts payable to employees	-	172,117	-	-	-	172,117
Deposits from tenants	-	1,034	1,087,154	-	-	1,088,188
Other liabilities	342,461	748,224	75,936	-	-	1,166,621
Total current liabilities	**379,530**	**3,730,004**	**1,338,761**	**-**	**-**	**5,448,295**
Loans received	-	1,309,661	2,512,506	76,259,074	-	80,081,241
Other long-term liabilities	-	-	-	2,558,272	-	2,558,272
Total	**379,530**	**5,039,665**	**3,851,267**	**78,817,346**	**-**	**88,087,808**

31 December 2018	Due	within 3 months	3 - 12 months	1 - 5 years	>5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade payables	110,385	750,487	-	-	-	860,872
Taxes payable	-	1,059,285	18,487	11,174	-	1,088,946
Advances from customers	-	143,915	-	-	-	143,915
Accrued expenses	-	1,051,468	-	-	-	1,051,468
Amounts payable to employees	-	153,118	-	-	-	153,118
Deposits from tenants	-	5,983	886,170	-	-	892,153
Other liabilities	-	758,067	68,376	-	340,235	1,166,678
Total current liabilities	**110,385**	**3,922,323**	**973,033**	**11,174**	**340,235**	**5,357,150**
Loans received	-	1,123,094	2,391,665	60,674,537	18,288,747	82,478,043
Other long-term liabilities	-	-	-	2,763,852	-	2,763,852
Total	**110,385**	**5,045,417**	**3,364,698**	**63,449,563**	**18,628,982**	**90,599,045**

26. Financial Risks, Management Objectives and Policies (continued)

Capital management

The main objective of the Group's capital management activities is to continuously ensure an equity structure that supports the Group's business operations, maintains its creditworthiness and maximises shareholder value. Changes in the Group's business environment are also reflected in the equity structure. The Group's equity structure is supervised by management by monitoring the Group's indebtedness ratio and decisions are made accordingly.

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at 31 December 2019 and 31 December 2018 are presented below:

	31 December 2019	31 December 2018
	EUR	EUR
Short-term and long-term borrowings (Note 19):	75,321,499	76,514,758
Trade payables and other current liabilities less deferred rental income (Note 16):	5,448,295	5,357,150
Cash and cash equivalents (Note 5):	(68,278,062)	(24,413,098)
Net debt:	12,491,732	57,458,810
Equity attributable to the Company:	142,415,328	120,773,359
Total:	154,907,060	178,232,169
Indebtedness ratio:	8.06%	32.24%

The Company's indebtedness ratio decreased from 32.24% at 31 December 2018 to 8.06% at 31 December 2019, primarily due to the increase in the cash and cash equivalents and in the equity. The Company's management considers the Company's capital structure adequate, as property management is the Group's key activity and the Company's indebtedness ratio reflects the nature of this industry.

27. Investments in Subsidiaries

During 2019 and during 2018 Fotex Group has not entered into transaction that affected the Group structure.

28. Leases

Group as lessee

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

28. Leases (continued)

The Group had total cash outflows for leases of EUR 151,546 in 2019. Expenses relating to short-term leases were EUR 42,078 and the expense relating to leases of low-value assets were EUR 58,693 in 2019.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	EUR
Total operating lease commitments as at 31 December 2018	**679,024**
Less: operating lease commitments related to cancellable contracts	514,443
Operating lease commitments as at 31 December 2018	164,581
Weighted average incremental borrowing rate as at 1 January 2019	3.31%
Discounted operating lease commitments as at 1 January 2019	143,165
Add: Commitments relating to leases previously classified as finance leases	30,087
Lease liabilities as at 1 January 2019	**173,252**

Obligation under lease consists of the lease of two company vehicles and some smaller centers and shops in Győr. Future minimum lease payments under leases, together with the present value of the net minimum lease payments are, as follows:

	2019		1 January 2019	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	57,323	51,917	52,536	46,158
After one year but not more than five years	103,409	97,704	136,621	127,094
More than five years	-	-	-	-
Total minimum lease payments	**160,732**	**149,621**	**189,621**	**173,252**
Less amounts representing finance charges	(11,111)	-	(15,905)	-
Present value of minimum lease payments	**149,621**	**149,621**	**173,252**	**173,252**

28. Leases (continued)

Group as lessor

The Group leases property to third parties consisting mainly of retail outlets, offices, warehouses and other structures. Rents are predominantly set in EUR in the rental contracts.

The Group acquired 15 office buildings in the Netherlands which are leased to tenants on fixed long-term rental agreements. The Group sold one property in 2017 and two properties in 2019. The sale of an additional property will be completed in 2020. These sales caused a decrease in the amount of contracted revenue. Based on these agreements the contracted revenue is as described in the table below.

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2019 (EUR):

Due in	2020*	2021	2022	2023	2024	After 2024	Total
	10,679,929	9,347,927	9,571,941	9,465,730	7,115,170	19,818,284	65,998,981

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2018 (EUR):

Due in	2019**	2020	2021	2022	2023	After 2023	Total
	10,563,550	9,939,981	8,605,143	6,686,522	6,508,141	19,300,212	61,603,549

*2020 figure contains six months of revenue from non-cancellable lease for the real estate to be sold in June 2020.

**2019 figure contains one month of revenue from non-cancellable lease for the real estate sold in January 2019.

The Group has identified an error in presentation of rental fee revenue due in periods after 2021 presented in 2018. Consequently the comparative amounts have been changed.

29. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, total diluted earnings per share is also calculated based on the weighted average number of ordinary shares in issue during the year as adjusted by the estimated value of an issue of potentially convertible securities. For the calculation of total diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities.

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares:

	2019	2018
	EUR	EUR
Net profit attributable to equity holders from continuing operations	22,848,595	6,080,254
Net profit attributable to shareholders	22,848,595	6,080,254
Weighted average number of shares in issue during the year	43,787,733	45,400,058
Basic earnings per share (EUR)	0.52	0.13

The diluted earnings per share agree with basic earnings per share in 2019 and 2018 as there is no dilution effect in these years.

30. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. ("Blackburn"), a Panama company, and Blackburn International Luxembourg S.à r.l. ("Blackburn Luxembourg"), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. and in Fotex Ingatlan Kft. ("Fotex Ingatlan"). Blackburn has a controlling interest in Zürich Investments Inc. ("Zürich"), a British Virgin Islands company. As at 31 December 2019 Blackburn Luxembourg controlled 50.35% (31 December 2018: 50.35%) of Fotex Holding S.E.'s voting shares. APF International provides real estate services to the group and is partly owned by two group directors. These companies are considered to be related parties

Related party transactions

2019 disclosures

Rental and other related fees paid to Fotex Ingatlan during 2019 were EUR 51,504 (2018: EUR 60,877).

Administrative and expert fees paid by Fotex Ingatlan during 2019 were EUR 21,599 (2018: EUR 19,558).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. during 2019 were EUR 120,000 (2018: EUR 156,000).

Fotex Netherlands B.V. and FN2 B.V. received loans from Zürich Investment in 2011. In case of Fotex Netherlands B.V. the loan was repaid in 2018, in case of FN2 B.V. it is repayable in 2021.

For 2019, Fotex Netherlands B.V. was charged interest of EUR 0 (2018: EUR 398,033) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 19). The loan was repaid in 2018.

For 2019, FN2 B.V. was charged interest of EUR 275,500 (2018: EUR 275,500) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 19).

For 2019, Dutch subsidiaries were charged property management fee of EUR 849,101 (2018: EUR 185,456) by APF International. 2 members of Fotex Groups Board of Directors are the managers of APF International.

Transactions between related parties are made on terms equivalent to those that prevail in arm's length transactions.

2018 disclosures

Rental and other related fees paid to Fotex Ingatlan during 2018 were EUR 60,877 (2017: EUR 308,034).

Administrative and expert fees paid by Fotex Ingatlan during 2018 were EUR 19,558 (2017: EUR 18,290).

There is also an airplane rental agreement between Blackburn Inc. and Fotex Netherlands B.V., the total amount of rent plus related services invoiced by Blackburn Inc. during 2018 were EUR 156,000 (2017: EUR 94,800).

Fotex Netherlands B.V. and FN2 B.V. received loans from Zürich Investment in 2011. In case of Fotex Netherlands B.V. the loan was repaid in 2018, in case of FN2 B.V. it is repayable in 2021.

For 2018, Fotex Netherlands B.V. was charged interest of EUR 398,033 (2017: EUR 780,821) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 19).

For 2018, FN2 B.V. was charged interest of EUR 275,500 (2017: EUR 275,500) by Zürich Investment, on the former intra-group loans transferred to the seller of Plaza Park Kft (Note 19).

Transactions between related parties are made on terms equivalent to those that prevail in arm's length transactions.

30. Related Party Transactions (continued)

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 784,726 in 2019 (2018: EUR 834,679).

31. Subsequent Events after the End of the Reporting Period

In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, WHO declared COVID-19 a pandemic.

The groups businesses are in geographies where the impact of the virus is primarily being managed medically with economic stimulus being considered to protect businesses from any negative short-term consequences. As of the date of the financial statements, as it relates to the group, the economic impact of the virus and the length of time the conditions are expected to last are unknown nor quantifiable.

Further, whilst there may be, as yet unknown, negative consequences arising from the virus, there is no indication that the group will have any significant difficulties operating on a going concern basis for at least 12 months and for the foreseeable future. The management considers the emergence of the COVID-19 coronavirus pandemic to be a non-adjusting post balance sheet event and hence any future impact is likely to be in connection with the assessment of the fair value of investments at future valuation dates.

Apart from the above mentioned events no significant event occurred after the end of the reporting period that would require adjustment to or disclosure in these financial statements.

32. Personnel and Structural Changes

Structural changes: During of 2019 there were no structural changes.

Personnel changes: During 2019 there was a change among the members of the board. Members are detailed in section Management Report under subsection 'The Board'. Average number of employees was 238 people in 2019 (2018: 251 people). This decrease in headcount is attributable to the reorganisation of crystal production activities