

Andermatt Swiss Alps Group

**Consolidated financial statements
together with auditor's report for the
year ended 31 December 2014**

Andermatt Swiss Alps AG

Consolidated statement of comprehensive income for the year ended 31 December 2014

| CHF | Notes | 2014 | 2013 |
|---|-------|---------------------|---------------------|
| CONTINUING OPERATIONS | | | |
| Revenue | 6 | 107,576,494 | 54,575,723 |
| Cost of sales | | (102,008,855) | (58,805,921) |
| GROSS PROFIT | | 5,567,639 | (4,230,198) |
| Investment income | 7 | 85,401 | 33,665 |
| Other gains and losses | 8 | 115,345 | (4,695,102) |
| General administrative and selling expenses | 9 | (15,686,633) | (19,298,389) |
| Finance expenses | 10 | (2,570,903) | (222,778) |
| (LOSS) BEFORE TAX | | (12,489,151) | (28,412,802) |
| Income tax (expense)/income | 12 | (1,405,542) | 2,852,856 |
| LOSS FOR THE YEAR | | (13,894,693) | (25,559,946) |
| Other comprehensive income, net of income tax | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Net Gain/(loss) on revaluation of financial assets at FVTOCI | | - | (138,338) |
| Remeasurement of defined benefit obligation | | (629,265) | (79,046) |
| | | (629,265) | (217,384) |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| | | | - |
| Total other comprehensive income for the year, net of tax | | (629,265) | (217,384) |
| Total comprehensive income for the year | | (14,523,958) | (25,777,330) |
| (Loss) attributable to: | | | |
| Owners of the Parent Company | | (12,521,833) | (24,538,591) |
| Non-controlling interests | | (1,372,860) | (1,021,355) |
| | | (13,894,693) | (25,559,946) |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent Company | | (13,144,138) | (24,810,505) |
| Non-controlling interests | | (1,379,820) | (966,825) |
| | | (14,523,958) | (25,777,330) |

Samih Sawiris
Chairman

Robert Fellermeier
Group CEO

Stephan Weber
Group CFO

Andermatt Swiss Alps AG

Consolidated statement of financial position at 31 December 2014

| CHF | Notes | 31 December 2014 | 31 December 2013 |
|--|-------|--------------------|--------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 181,762,879 | 242,111,703 |
| Deferred tax assets | 12.3 | 6,809,312 | 8,158,717 |
| Other financial assets | 15 | 67,200 | 65,255 |
| TOTAL NON-CURRENT ASSETS | | 188,639,391 | 250,335,675 |
| CURRENT ASSETS | | | |
| Inventories | 16 | 236,609,906 | 159,479,224 |
| Trade and other receivables | 17 | 9,240,214 | 7,153,961 |
| Amounts due from construction contracts | 18 | 1,093,849 | 1,536,942 |
| Current receivables due from related parties | 34 | 561,503 | 831,990 |
| Other current assets | 19 | 27,097,466 | 15,051,485 |
| Cash and bank balances | 20 | 10,543,087 | 11,159,966 |
| | | 285,146,025 | 195,213,568 |
| Non-current assets held for sale | | - | 100,000 |
| TOTAL CURRENT ASSETS | | 285,146,025 | 195,313,568 |
| TOTAL ASSETS | | 473,785,416 | 445,649,243 |

| CHF | Notes | 31 December 2014 | 31 December 2013 |
|--|-------|--------------------|--------------------|
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Issued capital | 21 | 231,147,000 | 231,147,000 |
| Reserves | 22 | (2,141,470) | (2,141,470) |
| Retained earnings | 23 | (64,289,652) | (51,144,677) |
| Equity attributable to owners of the Parent Company | | 164,715,878 | 177,860,853 |
| Non-controlling interests | 24 | 8,380,695 | 9,759,678 |
| Total equity | | 173,096,573 | 187,620,531 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 25 | 135,495,420 | 77,488,309 |
| Trade and other payables | 26 | - | 100,000 |
| Retirement benefit obligation | 31 | 3,591,597 | 2,732,760 |
| Deferred tax liabilities | 12.3 | 1,060,278 | 1,066,033 |
| Total non-current liabilities | | 140,147,295 | 81,387,102 |
| CURRENT LIABILITIES | | | |
| Borrowings | 25 | 9,882,607 | 8,980,288 |
| Trade and other payables | 26 | 19,967,456 | 12,305,760 |
| Current payables due to related parties | 34 | 4,820,153 | 3,871,000 |
| Provisions | | - | 63,678 |
| Deferred revenue | 27 | 97,349,022 | 117,293,663 |
| Other current liabilities | 28 | 28,522,309 | 34,127,221 |
| Total current liabilities | | 160,541,548 | 176,641,610 |
| Total liabilities | | 300,688,843 | 258,028,712 |
| Total equity and liabilities | | 473,785,416 | 445,649,243 |

Samih Sawiris
Chairman

Robert Fellermeier
Group CEO

Stephan Weber
Group CFO

Andermatt Swiss Alps AG

Consolidated statement of changes in equity for the year ended 31 December 2014

| CHF | Issued Capital | General reserve | Retained earnings | Attributable to owners of the Parent Company | Non-controlling interests | Total |
|---|--------------------|--------------------|---------------------|--|---------------------------|---------------------|
| Balance at 1 January 2013 | 42,000,000 | (250,000) | (26,627,851) | 15,122,149 | (499,162) | 14,622,987 |
| Loss for the year | - | - | (24,538,591) | (24,538,591) | (1,021,355) | (25,559,946) |
| Other comprehensive income for the year, net of income tax | - | - | (271,914) | (271,914) | 54,530 | (217,384) |
| Total comprehensive income for the year | - | - | (24,810,505) | (24,810,505) | (966,825) | (25,777,330) |
| Share capital increase | 189,147,000 | - | - | 189,147,000 | - | 189,147,000 |
| Share capital increase cost | - | (1,891,470) | - | (1,891,470) | - | (1,891,470) |
| Non-controlling interests' share in equity of consolidated subsidiaries | - | - | 293,679 | 293,679 | 11,225,665 | 11,519,344 |
| Balance at 31 December 2013 | 231,147,000 | (2,141,470) | (51,144,677) | 177,860,853 | 9,759,678 | 187,620,531 |
| Balance at 1 January 2014 | 231,147,000 | (2,141,470) | (51,144,677) | 177,860,853 | 9,759,678 | 187,620,531 |
| Loss for the year | - | - | (12,521,833) | (12,521,833) | (1,372,860) | (13,894,693) |
| Other comprehensive income for the year, net of income tax | - | - | (622,305) | (622,305) | (6,960) | (629,265) |
| Total comprehensive income for the year | - | - | (13,144,138) | (13,144,138) | (1,379,820) | (14,523,958) |
| Non-controlling interests' share in equity of consolidated subsidiaries | - | - | (837) | (837) | 837 | - |
| Balance at 31 December 2014 | 231,147,000 | (2,141,470) | (64,289,652) | 164,715,878 | 8,380,695 | 173,096,573 |

Consolidated cash flow statement for the year ended 31 December 2014

| CHF | Notes | 2014 | 2013 |
|--|-------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) for the year | | (13,894,693) | (25,559,946) |
| Adjustments for: | | | |
| Income tax expense/(income) recognized in profit or loss | 12.1 | 1,405,542 | (2,852,856) |
| Finance expenses recognized in profit or loss | 10 | 2,570,903 | 222,778 |
| Investment income recognized in profit or loss | 7 | (85,401) | (33,665) |
| Depreciation expenses | 13 | 11,068,644 | 1,273,667 |
| Impairment of non-current assets | 13 | - | 4,306,170 |
| Change in defined benefit obligation | 31 | 168,382 | 222,956 |
| Loss on acquisition of subsidiary | 30 | - | 389,242 |
| Gain on disposal of subsidiary | 29 | (94,871) | - |
| MOVEMENTS IN WORKING CAPITAL | | | |
| (Increase) in trade and other receivables | | (2,086,253) | (3,540,542) |
| Decrease/(increase) in inventories | | 1,478,978 | (39,904,178) |
| Decrease/(increase) in amounts due from construction contracts | | 492,097 | (1,536,942) |
| Decrease in due from related party | | 291,922 | 1,925,682 |
| (Increase) in other assets | | (12,046,002) | (5,842,025) |
| Increase/(decrease) in trade and other payables | | 7,561,696 | (6,195,509) |
| (Decrease) in amounts due to construction contracts | | - | (619,083) |
| (Decrease) in due to related party | | (550,847) | (693,728) |
| (Decrease) in provision | | (63,678) | (56,434) |
| (Decrease)/increase in deferred revenue | | (19,944,641) | 11,681,549 |
| (Decrease)/increase in other liabilities | | (5,599,345) | 11,674,016 |
| Cash generated from/(used in) operations | | (29,327,567) | (55,138,848) |
| Interest paid | | (1,186,151) | (222,778) |
| Income tax paid | | (703) | (2,002) |
| Net cash (used in) operating activities | | (30,514,421) | (55,363,628) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | 13 | (26,074,971) | (37,218,583) |
| Proceeds from disposal of property, plant and equipment | | - | - |
| Payments to acquire financial assets | | - | (105,000) |
| Net cash outflow on disposal of subsidiaries | 29.4 | (310,673) | - |
| Net cash outflow on acquisition of subsidiaries | 30 | - | (3,623,735) |
| Cash outflow on acquisition of non-controlling interests | | - | (36,600) |
| Interest received | | 62,021 | 19,097 |
| Net cash (used in) investing activities | | (26,323,623) | (40,964,821) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of equity instruments | 21.2 | - | 7,444,000 |
| (Payments) equity transaction costs | | - | (1,891,470) |
| Repayment of borrowings | | (4,634,219) | (5,475,046) |
| Proceeds from borrowings | | 60,885,384 | 90,273,585 |
| Net cash generated by financing activities | | 56,221,165 | 90,351,069 |
| Net (decrease)/increase in cash and cash equivalents | | (616,879) | (5,977,380) |
| Cash and bank balances at the beginning of the year | | 11,159,966 | 17,137,346 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | - | - |
| Cash and bank balances at the end of the year | | 10,543,087 | 11,159,966 |

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Notes to the consolidated financial statements for the year ended 31 December 2014

1 GENERAL INFORMATION

Andermatt Swiss Alps AG (“ASA” or “the Parent Company”) is a limited company incorporated in Andermatt, Switzerland.

The Parent Company and its subsidiaries (the “Group”) are responsible for the development, planning, implementation and operation of the newly integrated holiday resort in the Swiss mountain village of Andermatt which includes hotels, private villas and apartments as well as leisure facilities such as golf courses and supporting infrastructure. Since 2013 the Company also controls the operating companies of the Andermatt Sedrun Ski Area.

The addresses of its registered office and principal place of business is Gotthardstrasse 2 in Andermatt, Switzerland.

2 Application of International Financial Reporting Standards (“IFRSs”)

2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards and the new Interpretation has had a material effect on these financial statements. The details of the revised Standards and the new Interpretation are as follows:

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 regarding Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis

Consequently amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

Amendments to IAS 32 Financial Instruments - Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 regarding offsetting financial assets and financial liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 regarding recoverable amount disclosures for non-financial assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 regarding novation of derivatives and continuation of hedge accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC 21 Levies

The Group has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligation event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.2 Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective on or after the dates described below.

| New, amended and revised Standards and Interpretations | effective from |
|---|--|
| <p>IFRS 9 The Group has early applied IFRS 9 (issued in November 2009 and October 2010) as at 1 January 2011 which included new requirements for the classification and measurement of financial assets and financial liabilities as well as for derecognition. However, the Group has not yet applied the requirements for general hedge accounting (issued in November 2013) and another revised version of IFRS issued in July 2014 which mainly includes a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments. Financial liabilities are classified in a similar manner than under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk, only for financial liabilities that are designated on initial recognition as at FVTOCI.</p> | <p>Annual periods beginning on or after 1 January 2018</p> |
| <p>IFRS 10/ IAS 28 Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:</p> <ul style="list-style-type: none"> – require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations) – require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. <p>These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.</p> | <p>Annual periods beginning on or after 1 January 2016</p> |

| | | |
|-------------------|--|---|
| IFRS 11 | <p>Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:</p> <ul style="list-style-type: none"> – apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 – disclose the information required by IFRS 3 and other IFRSs for business combinations. <p>The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).</p> | |
| IFRS 15 | <p>The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue.</p> <p>Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p> <p>Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9 Financial Instruments.</p> | Annual periods beginning on or after 1 January 2017 |
| IAS 16/ IAS 38 | <p>The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in limited circumstances.</p> | Annual periods beginning on or after 1 January 2016 |
| IAS 19 | <p>Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.</p> | Annual periods beginning on or after 1 July 2014 |
| Various | <p>Annual Improvements 2010-2012 Cycle</p> <p>Makes amendments to the following applicable standards:</p> <p>IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date</p> <p>IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)</p> <p>IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount</p> <p>IAS 24 — Clarify how payments to entities providing management services are to be disclosed</p> | Annual periods beginning on or after 1 July 2014 |

| | | |
|---------|---|--|
| Various | Annual Improvements 2011-2013 Cycle Makes amendments to the following applicable standards: IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52 IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property | Annual periods beginning on or after 1 July 2014 |
| Various | Annual Improvements 2012-2014 Cycle Makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference | Annual periods beginning on or after 1 July 2016 |

The Group is currently assessing the possible changes in relation to future implementation of IFRS 15 which could have a significant impact on the consolidated financial statements. For all other Standards and Interpretations issued which are not yet effective, the Group does not expect any material impacts on the consolidated financial statements in the period of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as appropriate and investment properties that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities (including special purpose entities) controlled by the Parent Company (its subsidiaries). Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Company 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 the Group'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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received or receivable and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement

period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 (or where applicable IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3. The policy described above is applied to all business combinations that took place on or after January 2010.

For common control transactions in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory, the Group recognises the difference between purchase consideration and carrying amount of net assets of acquired entities or businesses as an adjustment to equity. This accounting treatment is also applied to later acquisitions of some or all shares of the non-controlling interests in a subsidiary.

3.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a Group entity transacts with associates of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated, starting from the acquisition date, to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. When assessing each unit or group of units to which the goodwill is so allocated, the Group's objective is to test goodwill for impairment at a level that reflects the way the Group manages its operations and with which the goodwill would naturally be associated under the reporting system in place.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of an operation within a cash-generating unit to which goodwill has been allocated, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.5.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.7.1 Revenue on sale of land

Revenue from sale of land, sale of land right and associated cost are recognised when land is delivered and the significant risks, rewards of ownership and control have been transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Management uses its judgment and considers the opinion obtained from the legal advisors in assessing whether the Group's contractual and legal rights and obligations in the agreements are satisfied and the above criteria are met.

3.7.2 Revenue from agreements for construction of real estate

Management uses its judgment to analyze the Group's agreements for the construction of real estate and any related agreements to conclude whether or not the contractual terms of such agreements indicate that they are, in substance, for the provision of construction services or for the delivery of goods that are not complete at the time of entering into the agreement. Such conclusion depends on the terms of the agreement and all the surrounding facts and circumstances and on whether such an agreement meets the definition of a construction contract, as described in 3.7.3 below.

In accordance with IFRIC 15, an agreement for the construction of real estate will meet the definition of a construction contract when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and / or specify major structural changes once construction is in progress, whether it exercises that ability or not. Where such conditions are met, revenue and costs associated with such contracts are accounted for in accordance with IAS 11 Construction Contracts (see 3.7.3).

Where an agreement for the construction of real estate does not meet the definition of a construction contract and is not for the rendering of services, then it is accounted for as a sale of goods under the scope of IAS 18 Revenue.

Accordingly, revenue from the sale of real estate is recognised when all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the real estate, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

3.7.3 Construction revenue

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in term of their design, technology and function or their ultimate purpose or use.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the completion of a physical proportion of the contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer, their amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Construction contract revenue comprises revenue arising from finishing of sold units, extra works requested by customers and any construction agreement with third parties.

3.7.4 Revenue from the rendering of services

Revenue from services is recognised in the accounting periods in which the services are rendered.

3.7.5 Dividend and interest income

Dividend income from investments other than in associates is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on original recognition.

3.7.6 Rental income

The Group's policy for recognition of revenue from operating leases is described in 3.8.1.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.8.1 The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

3.8.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.10 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

If a sale and leaseback transaction results in a finance lease, the asset is recognized at its previous carrying amount and any gain/loss recognized over the lease term. In case of a loss, management assesses whether the asset is impaired.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the preparation of the Group's consolidated financial statements, the results and financial position of each subsidiary are translated into Swiss Franc (CHF), which is the Group's presentation currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items that qualify as hedging instruments in transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Swiss Francs (CHF) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's foreign currency reserve, a separate component in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Parent are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

The exchange rates for the major foreign currencies against CHF relevant to the annual consolidated financial statements were:

| Currency table | 2014 | | 2013 | |
|-----------------|---------|----------|---------|----------|
| | Average | Year end | Average | Year end |
| 1 USD US Dollar | 0.9154 | 0.9946 | 0.9268 | 0.8908 |
| 1 EUR Euro | 1.2144 | 1.2062 | 1.2307 | 1.2268 |

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time, as the assets are substantially ready for their intended use or sale.

The following principles apply when borrowing costs are partly or fully capitalized by the Group as part of a qualifying asset:

- Where hedge accounting is not applied to minimize the interest rate risk on borrowings used to fund that asset and, therefore derivatives are classified as at fair value through profit or loss, all gains / losses on non-hedging derivatives are immediately recognized in profit or loss.
- Where variable rate borrowings are used to finance a qualifying asset and a derivative is designated to cash flow hedge the variability in interest rates on such borrowings, any gain or loss on the hedging derivative that is effective and, therefore previously recognized in other comprehensive income, is reclassified from equity to profit or loss when the hedged risk impacts profit or loss. The hedged interest component of the qualifying asset (hedged risk) impacts profit or loss when the qualifying asset is amortized, impaired or sold.
- Where fixed rate borrowings are used to finance a qualifying asset and a derivative is designated to hedge the fair value exposure to changes in interest rates of such borrowings, the synthetic floating interest rate that is achieved as a result of a highly effective hedge is capitalized, so that borrowing costs always reflect the hedged interest rate. The amount of borrowing costs capitalized in such a case comprises the actual fixed rate on the borrowings plus the effect of swapping this fixed rate into floating rates.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The amount of borrowing costs that an entity capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period, provided that the carrying amount of the qualifying asset on which eligible borrowing costs have been capitalized does not exceed its recoverable amount (being the higher of fair value less costs to sell or amount in use for that asset).

3.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan granted at below-market interest rates of interest is treated as a government grant and measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.12 Retirement benefit costs

Employee pension and retirement benefits are based on the regulations and prevailing circumstances of those countries in which the Group is represented. In Switzerland, ordinary pension and retirement benefit plans qualify as defined-benefit plans and are accounted for in conformity with IAS 19 Employee Benefits.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefits liability or asset. Defined benefit costs are categorized as service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement. The Group presents the first two components of defined benefit costs in profit or loss in administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the Balance Sheet Liability Method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax liabilities are not recognised if the temporary difference arises from goodwill and no deferred tax assets or liabilities are recognised for temporary differences resulting from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.13.3 Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, plant and equipment

Buildings, plant and equipment, furniture and fixtures held for use in the production, supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy as described in note 3.10. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of buildings, plant and equipment as well as furniture and fixtures commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership of the leased asset will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|------------------------|---------------|
| Buildings | 20 – 50 years |
| Plant and equipment | 4 – 10 years |
| Furniture and fixtures | 3 – 10 years |

3.15 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.16 Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs, including an appropriate portion of fixed and variable production overheads as well as other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. For items acquired on credit and where payment terms of the transaction are extended beyond normal credit terms, the cost of that item is its cash price equivalent at the recognition date with any difference from that price being treated as an interest expense on an effective-yield basis (see note 11).

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Estimates of net realisable value are generally made on an item-by-item basis, except in circumstances, where it is more appropriate to group items of similar or related inventories.

The net realizable value of an item of inventory may fall below its cost for many reasons including, damage, obsolescence, slow moving items, a decline in selling prices, or an increase in the estimate of costs to complete and costs necessary to make the sale. In such cases, the cost of that item is written-down to its net realizable value and the difference is recognized immediately in profit or loss.

Properties intended for sale in the ordinary course of business or in the process of construction or development for such a sale are included in inventories. These are stated at the lower of cost and net realizable value. The cost of development properties includes the cost of land and other related expenditure attributable to the construction or development during the period in which activities are in progress that are necessary to get the properties ready for its intended sale.

3.17 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.18 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.19 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.19.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

3.19.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the “investment income” line item.

3.19.3 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue. Dividends earned are recognised in profit or loss and are included in the 'investment income' line item.

3.19.4 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.19.5 De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

3.20 Financial liabilities and equity instruments

3.20.1 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.20.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

- a) The instrument includes no contractual obligation:
 - i. to deliver cash or another financial asset to another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

- b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
- i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
 - ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contract that will be settled by the Group entity receiving or delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.20.3 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

A financial liability is classified as current liability when it satisfies any of the following criteria:

- It is expected to be settled in the entity's normal operating cycle
- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period;
- The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other financial liabilities are classified as non-current

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'finance costs' line item.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 4.2 below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Revenue recognition – Real estate sales

The operating cycle of residential construction projects predominantly starts when the Group enters into agreements to sell the real estate units off-plan. The Group treats the sale of real estate units as sale of goods in accordance with IAS 18 Revenue and IFRIC 15 Agreements for the Construction of Real Estates. Management takes the view that the critical event of revenue recognition depends on the transfer of significant risks and rewards of ownership and control to the buyer. When management makes this assessment it ensures that the detailed criteria for revenue recognition from the sale of goods as set out in IAS 18 and IFRIC 15 -

including the transfer of significant risks and rewards of ownership and control to the buyer - are satisfied and that recognition of revenue from the sale of real estate is appropriate in the current reporting period.

Given the structure of the real estate sale contracts and the application of IAS 18 and IFRIC 15 as described above, revenue recognition from residential construction projects can occur in independent stages which consist of the sale of land, constructed, but unfinished units and finished units. The transfer of significant risks and rewards of ownership and control of each stage is documented in an official delivery protocol and signed by representatives of the Group as well as the buyer.

For the current construction projects, management has assessed that significant risk and rewards will be transferred to the buyer on completion of construction stages and the handing over of the properties.

4.1.2 Cost of sales

Cost of sales in relation to the construction of real estate are capitalized during construction and presented as inventory. On completion of the construction certain construction cost, which cannot be allocated directly to the units (i.e. infrastructure, common parts of the building) have to be allocated to the respective units based on their share of the total size of the respective real estate (m2) or other reasonable allocation keys. In selection of the allocation keys, management has to apply a significant degree of judgement.

4.1.3 Employee benefits expense

Employee benefits expense which are directly related to the sale of goods or rendering of services form part of the operation's cost of sales. Where employee benefit expense is incurred to perform head quarter functions or relate to non-revenue generating entities, such as corporate companies, holding companies and start up companies, they are allocated to administration expenses.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Impairment of tangible assets and investments in associates

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and investments in associates to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Due to the ongoing development of the Andermatt project and the financial risks going along with it, management reconsidered the recoverability of the Group's significant items of property, plant and equipment, which are included in the consolidated statement of financial position at 31 December 2014 at CHF 181,762,879 (31 December 2013: CHF 242,111,703).

At 31 December 2014 none of the items of property, plant and equipment were impaired (31 December 2013: CHF 4,230,155). Management periodically reconsider their assumptions in light of the macroeconomic developments regarding future anticipated margins on their products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of these assets will be recovered in full. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. However recoverability of the carrying values of the tangible assets, unsold inventory and investments in associates is dependent on the successful completion of the overall Andermatt project and thus subject to material estimation uncertainties.

4.2.2 Deferred income taxes

The measurement of deferred income tax assets and liabilities is based on the judgment of management. Deferred income tax assets are only capitalized if it is probable that they can be used. Whether or not they can be used depends on whether the deductible tax temporary difference can be offset against future taxable gains. In order to assess the probability of their future use, estimates must be made of various factors including future taxable profits. At 31 December 2014 deferred income tax assets amounted to CHF 6,809,312 (31 December 2013: CHF 8,158,717) that have mainly resulted from the tax impact of carry forward tax losses (refer to note 12). Such deferred tax assets are only recorded when the development phase of the project has been started and it becomes evident that future taxable profits are probable. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

4.2.3 Retirement benefit obligations

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The obligation was calculated using a discount rate of 1.6% (31 December 2013: 2.1%). The calculations were done by an external expert and the principal assumptions used are summarised in note 31. At 31 December 2014, the underfunding amounted to CHF 3,591,597 (31 December 2013: CHF 2,732,760). Using other basis for the calculations could have led to different results.

4.2.4 Net realizable value of inventory

Inventory mainly includes real estate construction work under progress which is recognised at cost or net realisable value. The majority of real estate under construction is already sold at market prices which in total are higher than construction cost. In the rare cases where the price of the sold unit was below the cost price, a respective provision has been built. Therefore the estimation uncertainty only relates to the unsold real estate under construction. In general the profit margins on these real estate projects are high and management currently does not expect any of these projects to be sold below cost.

4.2.5 Material uncertainty regarding going concern

The successful completion of the project as well as the going concern of the Company is depending on the continuous financial support of the main shareholder and/or Orascom Group. Should the Company not receive the necessary financial funds, it may be facing liquidity challenges. The board of directors is convinced that sufficient financial funds will be made available to the Company to successfully complete the project. No adverse developments are currently known or expected.

5 THE GROUP AND MAJOR CHANGES IN GROUP ENTITIES

The Group is comprised of the Parent Company and its subsidiaries which are all operating in Switzerland (for further details on the group structure refer to note 14). The group controls its subsidiaries directly and indirectly.

Except for the disposal of one of the dormant subsidiaries in 2014 (for further details see note 29) as well as the acquisition of the companies operating the skiing area (for further details see note 30) in 2013 there have been no major changes in the group structure during the financial period.

6 REVENUE

An analysis of the Group's revenue for the year is as follows:

| CHF | 2014 | 2013 |
|--|--------------------|-------------------|
| Revenue from the rendering of services and rental income | 28,355,448 | 1,781,439 |
| Revenue from sale of real estate | 67,134,363 | 44,774,729 |
| Revenue from construction contracts | 591,840 | 4,635,277 |
| Revenue on sale of land | 11,494,843 | 3,384,278 |
| TOTAL | 107,576,494 | 54,575,723 |

7 INVESTMENT INCOME

| CHF | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| Interest income: | | |
| - Bank deposits | 61,989 | 17,072 |
| - Other loans and receivables | 23,412 | 16,593 |
| TOTAL | 85,401 | 33,665 |

All investment income is related to loans and receivables including cash and bank balances.

8 OTHER GAINS AND LOSSES

| CHF | 2014 | 2013 |
|--|----------------|--------------------|
| Impairment of property, plant and equipment (i) | - | (4,306,170) |
| Impairment of goodwill on acquisition of subsidiary (ii) | - | (389,242) |
| Gain on sale of subsidiary (iii) | 94,871 | - |
| Net foreign exchange gains/(losses) | 1,209 | (11,395) |
| Other gains/(losses) | 19,265 | 11,705 |
| TOTAL | 115,345 | (4,695,102) |

(i) Mainly relates to impairment losses in relation to Chedi Hotel in Andermatt (refer to note 13 for further details)

(ii) Losses from acquisition of skiing areas (refer to note 30 for further details)

(iii) Relates to sale of Andermatt Hotel Holding AG (refer to note 29 for further details)

9 ADMINISTRATIVE EXPENSES

| CHF | 2014 | 2013 |
|-------------------------------|---------------------|---------------------|
| Employee expenses | (6,933,002) | (8,477,001) |
| Marketing expenses | (4,181,307) | (4,879,826) |
| Depreciation expenses | (311,186) | (1,273,667) |
| Other administrative expenses | (4,261,138) | (4,667,895) |
| TOTAL | (15,686,633) | (19,298,389) |

10 FINANCE EXPENSES

| CHF | 2014 | 2013 |
|--|--------------------|--------------------|
| Interest on bank overdrafts and loans | (4,191,936) | (2,847,889) |
| Bank charges | (56,256) | (71,817) |
| Total interest expense for financial liabilities not classified as at fair value through profit or loss | (4,248,192) | (2,919,706) |
| Less: amounts included in the cost of qualifying assets | 1,677,289 | 2,696,928 |
| TOTAL | (2,570,903) | (222,778) |

11 COMPENSATION OF KEY MANAGEMENT PERSONNEL

| CHF | 2014 | 2013 |
|---|----------------|----------------|
| Salaries | 540,000 | 571,613 |
| Other short-term employee benefits | 124,000 | - |
| Post employment benefits | 60,020 | 50,104 |
| TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL | 724,020 | 621,717 |

Since 2013 there is a compensation plan in place for the external members of the Board of Directors which consists of a fixed compensation subject to an annual review.

As to the compensation of the members of Executive Management, the base salary as well as the bonuses is determined in a discretionary decision by the Board of Directors. The annual proposals and decisions concerning the compensation of Executive Management are based on an evaluation of the individual performance of each member, as well as of the performance of the business area for which each member is responsible.

12 INCOME TAXES

12.1 Income tax recognized in profit or loss

| CHF | 2014 | 2013 |
|--|------------------|--------------------|
| CURRENT TAX | | |
| Current tax expense for the current year | 675 | - |
| Adjustments recognized in the current year in relation to the current tax of prior years | 28 | 2,002 |
| | 703 | 2,002 |
| DEFERRED TAX | | |
| Deferred tax (income) recognized in the current year | (1,121,149) | (2,854,858) |
| Write-down of deferred tax assets | 2,525,988 | - |
| | 1,404,839 | (2,854,858) |
| TOTAL INCOME TAX EXPENSE/(INCOME) RECOGNIZED IN THE CURRENT YEAR | 1,405,542 | (2,852,856) |

The following table provides reconciliation between income tax expense recognized for the year and the tax calculated by applying the applicable tax rates on accounting profit:

| CHF | 2014 | 2013 |
|--|------------------|--------------------|
| (Loss) before tax from continuing operations | (12,489,151) | (28,412,802) |
| Income tax (income)/expense calculated at 11.35% (2013: 10.98%) | (1,418,052) | (3,119,726) |
| Unrecognized deferred tax assets during the year | 987,544 | 745,513 |
| Effect of income that is exempt from taxation | (711,251) | 134,542 |
| Effect of expenses that are not deductible in determining taxable profit | 203,052 | 19,141 |
| Effect of concession (capitalized expense) | (181,739) | (632,326) |
| Effect of derecognized deferred tax assets | 2,525,988 | - |
| INCOME TAX EXPENSE RECOGNIZED IN PROFIT OR LOSS | 1,405,542 | (2,852,856) |

The average tax rate of 11.35% (2013: 10.98%) is the applicable tax rate of the individual companies that generate taxable results.

12.2 Income tax recognized in other comprehensive income

| CHF | 2014 | 2013 |
|--|-----------------|-----------------|
| DEFERRED TAX | | |
| Remeasurement of defined benefit obligation | (61,190) | (5,651) |
| Valuation gains/(losses) of financial assets at FVTOCI | - | (16,662) |
| TOTAL INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME | (61,190) | (22,313) |

12.3 Deferred tax balances

Deferred tax assets and liabilities arise from the following:

| 2014 | Opening balance | Charged to income | Recognized in OCI | Acquisition/disposal of Subsidiary | Closing balance |
|--------------------------------|------------------|--------------------|-------------------|------------------------------------|------------------|
| CHF | | | | | |
| ASSETS | | | | | |
| <i>Temporary differences</i> | | | | | |
| Tax losses | 7,838,153 | (1,368,869) | - | - | 6,469,284 |
| Pension plan | 320,564 | (41,726) | 61,190 | - | 340,028 |
| | 8,158,717 | (1,410,595) | 61,190 | - | 6,809,312 |
| LIABILITIES | | | | | |
| <i>Temporary differences</i> | | | | | |
| Property, plant & equipment | 1,066,033 | (5,755) | - | - | 1,060,278 |
| | 1,066,033 | (5,755) | - | - | 1,060,278 |
| NET DEFERRED TAX ASSETS | 7,092,684 | (1,404,840) | 61,190 | - | 5,749,034 |

| 2013 | Opening balance | Charged to income | Recognized in OCI | Acquisition/disposal of Subsidiary | Closing balance |
|--------------------------------|------------------|-------------------|-------------------|------------------------------------|------------------|
| CHF | | | | | |
| ASSETS | | | | | |
| <i>Temporary differences</i> | | | | | |
| Tax losses | 4,990,925 | 2,830,566 | 16,662 | - | 7,838,153 |
| Pension Plan | 134,168 | 24,292 | 5,651 | 156,453 | 320,564 |
| | 5,125,093 | 2,854,858 | 22,313 | 156,453 | 8,158,717 |
| LIABILITIES | | | | | |
| <i>Temporary differences</i> | | | | | |
| Property, plant & equipment | - | - | - | 1,066,033 | 1,066,033 |
| | - | - | - | 1,066,033 | 1,066,033 |
| NET DEFERRED TAX ASSETS | 5,125,093 | 2,854,858 | 22,313 | (909,580) | 7,092,684 |

12.4 Unrecognized deferred tax assets

Unused tax losses for which no deferred tax assets have been recognized:

| CHF | 31 December 2014 | 31 December 2013 |
|--------------------------------|-------------------|-------------------|
| Tax losses (expiry in 2015) | 7,312,874 | 7,312,874 |
| Tax losses (expiry in 2016) | 1,050,891 | 1,069,954 |
| Tax losses (expiry in 2017) | 64,156 | 68,620 |
| Tax losses (expiry in 2018) | 1,560,359 | 1,571,205 |
| Tax losses (expiry in 2019) | 669,808 | 679,833 |
| Tax losses (expiry in 2020) | 1,872,467 | 1,881,749 |
| Tax losses (expiry in 2021) | 2,235,562 | - |
| Total unused tax losses | 14,766,117 | 12,584,235 |

No deferred tax assets have been recognized for the above federal tax losses as the future realization of the tax losses is currently uncertain.

Further, state taxes have only been recognized for the hotel operation business as gains from real estate sales are exempt from this taxation and therefore total tax losses of CHF 58.8 million will not be useable in the future.

Unrecognized deferred tax assets of comparative period have been reduced by CHF 19.8 million from CHF 32.4 million to 12.6 million as the amounts previously shown were not correct.

13 PROPERTY, PLANT AND EQUIPMENT

| CHF | Freehold land | Buildings | Plant and equipment | Furniture and fixtures | Property under construction | Assets under finance lease | Total |
|--|-------------------|--------------------|---------------------|------------------------|-----------------------------|----------------------------|---------------------|
| COST | | | | | | | |
| Balance at 1 January 2013 | - | 2,053,654 | 62,085 | 1,226,877 | 163,582,241 | - | 166,924,857 |
| Additions | - | 40,346 | 575,319 | 23,530 | 38,661,577 | 2,538,722 | 41,839,494 |
| Transfers | 5,130,224 | 37,714,764 | 38,830,021 | 5,729,735 | (87,404,744) | - | - |
| Recognized on business combination | 8,701,341 | 9,944,367 | 7,775,765 | 88,754 | 4,396,014 | 9,234,820 | 40,141,061 |
| Balance at 1 January 2014 | 13,831,565 | 49,753,131 | 47,243,190 | 7,068,896 | 119,235,088 | 11,773,542 | 248,905,412 |
| Additions | 191,765 | 193,665 | 1,099,318 | 676,998 | 24,168,175 | 1,626,225 | 27,956,146 |
| Disposals | - | - | (520,800) | - | - | - | (520,800) |
| Transfers to inventory (i) | - | - | - | - | (77,236,327) | - | (77,236,327) |
| Transfers within property, plant and equipment | - | 18,388,005 | 1,115,795 | 336,391 | (17,003,300) | (2,836,891) | - |
| Balance at 31 December 2014 | 14,023,330 | 68,334,801 | 48,937,503 | 8,082,285 | 49,163,636 | 10,562,876 | 199,104,431 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| Balance at 1 January 2013 | - | (351,569) | (55,838) | (882,480) | - | - | (1,289,887) |
| Depreciation expenses | (2,909) | (314,968) | (431,687) | (181,327) | - | (342,776) | (1,273,667) |
| Impairment expenses | - | (4,230,155) | - | - | - | - | (4,230,155) |
| Balance at 1 January 2014 | (2,909) | (4,896,692) | (487,525) | (1,063,807) | - | (342,776) | (6,793,709) |
| Disposals | - | - | 520,800 | - | - | - | 520,800 |
| Depreciation expenses | (68,515) | (2,526,270) | (5,743,523) | (1,572,693) | - | (1,157,643) | (11,068,644) |
| Transfers within property, plant and equipment | - | (962,122) | 1,027,656 | (251,302) | - | 185,768 | - |
| Balance at 31 December 2014 | (71,424) | (8,385,084) | (4,682,592) | (2,887,802) | - | (1,314,651) | (17,341,553) |
| CARRYING AMOUNT | | | | | | | |
| At 31 December 2013 | 13,828,656 | 44,856,439 | 46,755,665 | 6,005,089 | 119,235,088 | 11,430,766 | 242,111,703 |
| At 31 December 2014 | 13,951,906 | 59,949,717 | 44,254,911 | 5,194,483 | 49,163,636 | 9,248,225 | 181,762,878 |

(i) In 2014 management of the Group decided to allocate part of the cost of the podium in Andermatt to the various built and planned units. The podium cost remaining within property plant and equipment are those related to infrastructure of the holiday resort.

In 2014 the impairment reviews do not show any impairment losses. In 2013 the impairment review of the Chedi Hotel in Andermatt resulted in an impairment loss of CHF 4.2 million which is shown within "Buildings" of property, plant and equipment.

At 31 December 2014, property, plant and equipment of the Group with a carrying amount of CHF 20.5 million (31 December 2013: CHF 28.3 million) were pledged to secure borrowings of the Group as described in note 25. In addition, the Group's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of CHF 9.2 million (2013: CHF 11.4 million). Refer to note 37 for further details on obligations under finance leases.

See note 10 for the capitalized finance cost during the year.

14 SUBSIDIARIES

The Group has control over all the subsidiaries below either directly or indirectly through subsidiaries controlled by the Parent Company. Details of the Group's significant subsidiaries at the end of the reporting period are as follows:

| Company name | Domicile | Purpose | Share/paid- in capital | | Proportion of ownership interest and voting power held by the Group | |
|---|-----------|-------------------|------------------------|------------|---|---------|
| | | | | | 2014 | 2013 |
| Bellevue Hotel & Appartement Development AG | Altdorf | Real Estate | CHF | 4,360,000 | 100.00% | 100.00% |
| Bellevue Hotel & Appartement Management AG | Andermatt | Hotel Management | CHF | 100,000 | 100.00% | 100.00% |
| Andermatt Hotel Holding AG | Andermatt | Inactive | CHF | 100,000 | - | 100.00% |
| Hotel 4B Development AG | Andermatt | Real Estate | CHF | 100,000 | 51.00% | 51.00% |
| Andermatt Sedrun Sport AG | Andermatt | Ski Area Operator | CHF | 23,814,275 | 52.80% | 52.80% |
| Andermatt Gotthard Sportbahnen AG | Andermatt | Ski Area Operator | CHF | 9,293,640 | 50.40% | 50.40% |
| Sedrun Bergbahnen AG | Sedrun | Ski Area Operator | CHF | 3,000,000 | 51.81% | 51.81% |
| Schneesportschule Andermatt GmbH | Andermatt | Ski Area Operator | CHF | 80,000 | 48.84% | 36.96% |

In December 2014 the investment in Andermatt Hotel Holding AG was sold (refer to note 29 for further details).

15 OTHER FINANCIAL ASSETS

Details of the Group's other financial assets are as follows:

| CHF | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Financial assets carried at fair value through other comprehensive income (FVTOCI) | | |
| Green Power Uri AG (i) | - | - |
| Andermatt-Urserntal Tourismus GmbH | 10,000 | 10,000 |
| Sasso San Gottardo SA (i) | - | - |
| Golfplatz Sedrun AG | 7,300 | 7,300 |
| Luzern Tourismus AG | 36,000 | 36,000 |
| Others | 13,900 | 11,955 |
| TOTAL | 67,200 | 65,255 |

- (i) As at 31 December 2013 management decided to revalue its investments in Green Power Uri AG and in Sasso San Gottardo SA to zero due to uncertainties regarding the future business development of the investment. The revaluation loss is recognised in other comprehensive income.

16 INVENTORIES

| CHF | 31 December 2014 | 31 December 2013 |
|-----------------------------------|--------------------|--------------------|
| Construction work in progress (i) | 168,343,578 | 94,806,198 |
| Other inventories (ii) | 68,266,328 | 64,673,025 |
| TOTAL | 236,609,906 | 159,479,223 |

- (i) This amount includes real estate construction work under progress. The real estate units are sold off plan. The increase is mainly due to the reallocation of podium construction costs from property, plant and equipment (CHF 77.2 million) and due to the ongoing construction of apartments on the podium and the Chedi project. This increased was partly compensated by the recognition of revenue for completed and sold units as well as reclassification of completed but unsold units to other inventories.
- (ii) This amount includes hotels and ski area inventory of CHF 1.0 million (2013: CHF 0.7 million) as well as completed but unsold units of CHF 67.3 million (2013: CHF 64.0 million) regarding the Chedi project as well as the units on the podium.

In 2014, inventory in total of CHF 0.9 million was written down due to sales prices being lower than cost value. There were no material write-downs or reversal of write-downs of inventory in 2013.

17 TRADE AND OTHER RECEIVABLES

| CHF | 31 December 2014 | 31 December 2013 |
|------------------------------|------------------|------------------|
| Current receivables | 9,258,214 | 7,153,961 |
| Allowance for doubtful debts | (18,000) | - |
| TOTAL | 9,240,214 | 7,153,961 |

Interest is only charged in case of customers default.

In 2014 the Group has recognised an allowance for doubtful debts of CHF 18,000 (2013: nil). Except for this amount none of the Group's trade and other receivables is past due.

Movement in the allowance for doubtful debt:

| CHF | 2014 | 2013 |
|---|-----------------|----------|
| Balance at beginning of the year | - | - |
| Impairment losses recognised on receivables | (18,000) | - |
| Balance at end of the year | (18,000) | - |

18 AMOUNTS DUE FROM/TO CONSTRUCTION CONTRACTS

| CHF | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Construction costs incurred | 2,530,358 | 4,635,276 |
| Less: recognized losses | (88,129) | (401,575) |
| Less: progress billing / advance payments | (1,348,380) | (2,696,759) |
| TOTAL | 1,093,849 | 1,536,942 |

There is currently one contract for the construction of a villa which is expected to be completed in 2015. All other construction projects are accounted for as inventory (note 16) or property under construction (note 13).

19 OTHER CURRENT ASSETS

| CHF | 31 December 2014 | 31 December 2013 |
|--|-------------------|-------------------|
| Prepaid sales commissions related to uncompleted units (i) | 2,226,460 | 6,360,776 |
| VAT (iii) | 1,859,576 | 1,505,147 |
| Loans (ii) (iii) | 8,350,452 | 2,140,100 |
| Prepaid expenses | 14,529,580 | 4,875,138 |
| Withholding tax (iii) | 848 | 4,168 |
| Deposit with others (iii) | 130,550 | 166,156 |
| TOTAL | 27,097,466 | 15,051,485 |

- (i) These are sales commissions of sold but uncompleted real estate units which have been paid to sales companies. As the revenue for these sold real estate units is only recognized on completion of the respective units, the corresponding prepaid commissions are accrued accordingly
- (ii) These are deferred payments granted to buyers of real estate units. None of those loans are past due.
- (iii) These assets meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 33.3).

20 CASH AND BANK BALANCES

For the purposes of the consolidated cash flow statement, cash and bank balances include cash on hand, demand deposits and balances at banks. Cash equivalents are short-term, highly liquid investments of maturities of three months or less from the acquisition date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

21 CAPITAL

21.1 Issued capital

| CHF | 31 December 2014 | 31 December 2013 |
|---|--------------------|--------------------|
| Par value per share (in CHF) | 1,000 | 1,000 |
| Number of ordinary shares issued and fully paid | 231,147 | 231,147 |
| Issued capital | 231,147,000 | 231,147,000 |

21.2 Fully paid ordinary shares

As per 25 June 2013, borrowings in the total amount of CHF 181.703 million as well as cash of CHF 7.444 million were used to increase the share capital by the same amount from CHF 42 million to CHF 231.147 million. In 2014 there were no changes to the share capital.

21.3 Significant shareholders

| CHF | 2014 | | 2013 | |
|--------------------------------|------------------|---------------|------------------|---------------|
| | Number of shares | % | Number of shares | % |
| SOSTNT Luxembourg S.a.r.l. (i) | 117,885 | 51.00 | 117,885 | 51.00 |
| Orascom Development Holding AG | 113,262 | 49.00 | 113,262 | 49.00 |
| TOTAL | 231,147 | 100.00 | 231,147 | 100.00 |

- (i) The ultimate beneficial owner is Mr. Samih Sawiris

22 RESERVES (NET OF INCOME TAX)

| CHF | 31 December 2014 | 31 December 2013 |
|-----------------|--------------------|--------------------|
| General reserve | (2,141,470) | (2,141,470) |
| TOTAL | (2,141,470) | (2,141,470) |

The decrease in general reserves is due to transaction costs in relation to the increase in share capital, which have been deducted within equity.

23 RETAINED EARNINGS AND DIVIDENDS ON EQUITY INSTRUMENTS

| CHF | 2014 | 2013 |
|---|---------------------|---------------------|
| Balance at beginning of year | (51,144,677) | (26,627,851) |
| Profit/(loss) attributable to owners of the Parent Company | (12,556,616) | (24,538,591) |
| Other comprehensive income attributable to owners of the Parent Company | (622,305) | (271,913) |
| Non-controlling interests' share in equity of consolidated subsidiaries | (837) | 293,678 |
| Balance at end of year | (64,324,435) | (51,144,677) |

During 2013 and 2014 no dividends had been paid. In respect of the current year, the Board of Directors does not propose a dividend or a capital reduction to the shareholders at the Annual General Meeting.

24 NON-CONTROLLING INTERESTS

| CHF | 2014 | 2013 |
|---|------------------|------------------|
| Balance at beginning of year | 9,759,678 | (499,162) |
| Share of (loss)/profit for the year | (1,372,860) | (1,021,355) |
| Share of other comprehensive income for the year | (6,960) | 54,529 |
| Non-controlling interests' share in equity of consolidated subsidiaries (i) | 837 | 11,225,666 |
| Balance at end of year | 8,380,695 | 9,759,678 |

- (i) In 2014 the Group increased its share in Schneesportschule Andermatt GmbH from 36.96% to 48.84% through capital increase. In 2013 the Group acquired additional shares in ASS (for further details refer to note 30) as well as the residual shares in Bellevue Hotel & Appartement Development AG.

25 BORROWINGS

| CHF | Current | | Non-current | |
|------------------------------------|------------------|------------------|--------------------|-------------------|
| | 31.12.14 | 31.12.13 | 31.12.14 | 31.12.13 |
| Secured - at amortized cost | | | | |
| Bank loans (i) | 8,017,928 | 7,588,358 | 3,634,000 | 3,261,000 |
| Finance lease liabilities (ii) | 1,687,679 | 1,391,930 | 3,381,937 | 3,655,867 |
| Shareholder's loan (iii) | | - | 127,099,483 | 68,837,442 |
| Other borrowings | 177,000 | - | 1,380,000 | 1,734,000 |
| TOTAL | 9,882,607 | 8,980,288 | 135,495,420 | 77,488,309 |

25.1 Summary of borrowing arrangements

The weighted average contractual effective interest rate for all interest bearing credit facilities and loans is 3.21% (2013: 3.22%). For a breakdown of debts bearing variable and fixed interest see note 33.4.

- (i) Bank loans have in general variable interest rates including a mark up. Property, plant and equipment with a carrying amount of CHF 20.5 million (2013: CHF 28.3 million) have been pledged to secure borrowings (see note 13).
- (ii) Refer to note 37 for details on finance lease liabilities
- (iii) Since the capital increase in June 2013 Mr. Samih Sawiris has already invested another CHF 127.1 which is part of the CHF 150 million which were promised by Mr. Samih Sawiris in order to secure funding of the resort Andermatt until 2017. The loan has a fixed interest rate of 3.25%.

26 TRADE AND OTHER PAYABLES

| CHF | 31 December 2014 | 31 December 2013 |
|----------------------------------|------------------|------------------|
| Non-current trade payables | - | 100,000 |
| Current trade and other payables | 19,967,456 | 12,305,760 |

Trade and other payables are in general interest free. However, when they are overdue, certain penalty interest rates might apply.

27 DEFERRED REVENUE

| CHF | 31 December 2014 | 31 December 2013 |
|---|-------------------|--------------------|
| Deferred revenue from real estate sales (i) | 95,278,196 | 115,698,769 |
| Deferred revenue from ski ticket sales (ii) | 1,573,313 | 1,549,128 |
| Other deferred revenue | 497,513 | 45,766 |
| TOTAL | 97,349,022 | 117,293,663 |

- (i) Advances from customers include amounts received (progress payments) from buyers of real estate units between the time of the initial agreement and contractual completion. The decrease is due to the delivery of units in 2014.

28 OTHER CURRENT LIABILITIES

| CHF | 31 December 2014 | 31 December 2013 |
|---|-------------------|-------------------|
| Deferred revenue from government grants | 5,986,046 | 5,986,046 |
| Other credit balances (ii) | 441,614 | 814,575 |
| Accrued expenses (i) (ii) | 22,034,649 | 27,217,815 |
| Deposits from others (ii) | 60,000 | 60,080 |
| VAT payables (ii) | - | 48,705 |
| TOTAL | 28,522,309 | 34,127,221 |

- (i) Accrued expenses mainly include operating costs for the operational activities.
- (ii) These liabilities meet the definition of a financial instrument in accordance with IFRS 9 (refer to note 33.3).

29 DISPOSAL OF SUBSIDIARY

29.1 Description of transactions

In December 2014 the Group has sold its subsidiary Andermatt Hotel Holdings AG to a company owned by Mr. Samih Sawiris, which is not part of this Group, for a total amount of CHF 0.4 million.

29.2 Analysis of assets and liabilities over which control was lost

| CHF | AHH |
|-------------------------------|----------------|
| Current assets | |
| Other current assets | 21 |
| Cash and bank balances | 310,673 |
| Current liabilities | |
| Other current liabilities | (5,565) |
| Net assets disposed of | 305,129 |

29.3 Gain from loss of control

| CHF | AHH |
|----------------------------------|---------------|
| Consideration received in cash | - |
| Consideration received non-cash | 400,000 |
| Deconsolidated net assets | (305,129) |
| Gain from loss of control | 94,871 |

The gain from loss of control is recognised in the statement of comprehensive income as "other gains and losses" (see note 8).

29.4 Net cash outflow from deemed loss of control

| CHF | AHH |
|---|------------------|
| Consideration received in cash and cash equivalents | - |
| Less: cash and cash equivalent balances disposed of | (310,673) |
| Total net cash inflow | (310,673) |

30 BUSINESS COMBINATION

30.1 Description of transactions

On 11 April 2013 the share capital of ASS was increased by CHF 5 million to finance the next stage of the development of the skiing areas. As only ASA participated in this capital increase, their interest in ASS increased from 40.26% to 52.80% and ASA regained control over ASS and its subsidiaries.

30.2 Consideration transferred

| CHF | ASS |
|--|------------------|
| Cash | 5,000,000 |
| Total consideration transferred | 5,000,000 |

Acquisition related costs have been excluded from the consideration transferred and have been recognized as an expense in profit or loss in the comparative period.

30.3 Assets acquired and liabilities recognized at the date of acquisition

| CHF | ASS |
|--------------------------------------|-------------------|
| Non-current assets | |
| Property, plant and equipment | 40,141,060 |
| Deferred tax assets | 156,453 |
| Other financial assets | 11,955 |
| Current assets | |
| Inventories | 219,580 |
| Trade and other receivables | 448,638 |
| Receivables due from related parties | 2,743,104 |
| Other current assets | 328,406 |
| Cash and bank balances | 1,376,265 |
| Non-current liabilities | |
| Borrowings | (6,764,056) |
| Retirement benefit obligation | (1,171,906) |
| Deferred tax liabilities | (1,066,033) |
| Current liabilities | |
| Trade and other payables | (164,356) |
| Borrowings | (9,828,867) |
| Provisions | (120,112) |
| Other current liabilities | (2,283,797) |
| Non-controlling interest | (408,168) |
| Net assets acquired | 23,618,166 |

30.4 Non-controlling interests

The non-controlling interests are recognized at the non-controlling interest's proportionate share of the acquiree's identifiable net assets:

| CHF | ASS |
|--|-------------------|
| Identifiable net assets | 23,618,166 |
| Non-controlling interest | 47.20% |
| Non-controlling interest's share in net assets acquired | 11,147,774 |

30.5 Goodwill arising on acquisition

| CHF | ASS |
|---|----------------|
| Consideration transferred in cash | 5,000,000 |
| + Fair value of previously held equity interest Deconsolidated net assets | 7,859,634 |
| + Non-controlling interest | 11,147,774 |
| ./. fair value of identifiable net assets | (23,618,166) |
| Goodwill | 389,242 |

The Group lost control over the investment during the capital increase in 2012 and then regained control through the capital increase in 2013 when the other shareholders were not participating in the capital increase. In this case the goodwill only represents a technical difference and does not represent acquired synergies. Therefore goodwill is directly impaired through profit or loss on acquisition date.

30.6 Net cash outflow on acquisition of subsidiary

| CHF | ASS |
|--|------------------|
| Consideration paid in cash and cash equivalents | 5,000,000 |
| Less: cash and cash equivalent balances acquired | (1,376,265) |
| Total net cash outflow | 3,623,735 |

30.7 Impact of acquisition on the results of the group

Included in the loss for the year is a loss of CHF 2.5 million (2013: CHF 2.0 million for three months) attributable to the additional business generated by ASS and its subsidiaries. Revenue for the year included CHF 14.4 million (2013: CHF 0.2 million for three months) in respect of ASS and its subsidiaries.

31 RETIREMENT BENEFIT PLANS

31.1 Defined benefit plans

Swiss pension plans need to be administered by a separate pension fund that is legally separated from the entity. The law prescribes certain minimum benefits.

The pension plan of the employees of the parent entity are carried out by a collective fund with Allianz Suisse Lebensversicherungs-Gesellschaft whereas the pension plans of the subsidiaries are carried by collective funds of Symova, Hotela Vorsorgestiftung as well as ASGA Pensionskasse. Under the pension plans, the employees are entitled to retirement benefits and risk insurance for death and disability. The boards of the various pension funds are composed of an equal number of representatives from both employers and employees.

Due to the requirements of IAS 19 the above mentioned pension plans are classified as defined benefit plans. The pension plans are described in detail in the corresponding statutes and regulations. The contributions of employers and employees in general are defined in percentages of the insured salary. The retirement pension is calculated based on the old-age credit balance on retirement multiplied by the fixed conversion rate. The employee has the option to withdraw the capital at once. The death and disability pensions are defined as percentage of the insured salary. The assets are invested directly with the corresponding pension funds.

The pension funds can change their financing system (contributions and future payments) at any time. Also, when there is a deficit which cannot be eliminated through other measures, the pension funds can oblige the entity to pay a restructuring contribution. For the pension funds of the Group such a deficit currently cannot occur as the plans are fully reinsured. However, the pension funds could cancel the contracts and the entities of the Group would have to join another pension fund.

In the current and comparative period no plan amendments, curtailments or settlements occurred. However, along with the acquisition of subsidiaries (for further details refer to note 30) additional pension plan contracts were taken over.

The fully reinsured pension funds have concluded insurance contracts to cover the insurance and investment risk. The board of each pension fund is responsible for the investment of assets and the investment strategies are defined in a way that the benefits can be paid out on due date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 31 December 2014. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

| CHF | 2014 | 2013 |
|---|----------------|----------------|
| Current service cost | 736,273 | 680,230 |
| Net interest expense | 53,439 | 38,596 |
| Administration cost excl. cost for managing plan assets | 4,953 | 3,718 |
| Past service cost | (36,157) | - |
| Expense recognised in profit or loss | 758,508 | 722,544 |

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

| CHF | 2014 | 2013 |
|---|----------------|---------------|
| Remeasurement (gain)/loss on defined benefit obligation | 1,003,996 | 94,480 |
| Return on plan assets excl. interest income | (313,541) | (9,782) |
| Expense recognised in other comprehensive income | 690,455 | 84,698 |

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

| CHF | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Present value of funded defined benefit obligation | 13,648,531 | 11,149,356 |
| Fair value of plan assets | (10,056,934) | (8,416,596) |
| Net liability arising from defined benefit obligation | 3,591,597 | 2,732,760 |

Movements in the present value of the defined benefit obligation in the current year were as follows:

| CHF | 2014 | 2013 |
|---|-------------------|-------------------|
| Opening defined benefit obligation | 11,149,356 | 4,652,792 |
| Additional obligation due to acquisition of subsidiaries | - | 5,566,082 |
| Current service cost | 736,273 | 680,230 |
| Interest expense on defined benefit obligation | 220,759 | 158,151 |
| Contributions from plan participants | 587,318 | 497,466 |
| Past service cost | (36,157) | - |
| Benefits (paid)/deposited | (17,967) | (503,563) |
| Remeasurement loss on defined benefit obligation | 1,003,996 | 94,480 |
| Administration cost (excl. cost for managing plan assets) | 4,953 | 3,718 |
| Closing defined benefit obligation | 13,648,531 | 11,149,356 |

Movements in the present value of the plan assets in the current period were as follows:

| CHF | 2014 | 2013 |
|---|-------------------|------------------|
| Opening fair value of plan assets | 8,416,596 | 3,399,593 |
| Additional plan assets due to acquisition of subsidiaries | - | 4,394,185 |
| Interest income on plan assets | 167,320 | 119,555 |
| Return on plan assets excluding interest income | 313,541 | 9,782 |
| Contributions from the employer | 590,126 | 499,578 |
| Contributions from plan participants | 587,318 | 497,466 |
| Benefits (paid)/deposited | (17,967) | (503,563) |
| Closing fair value of plan assets | 10,056,934 | 8,416,596 |

The respective insurance companies are providing reinsurance of these assets and bear all market risk on these assets.

The actual return on plan assets was CHF 480,861 (2013: CHF 129,337).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2014 | 2013 |
|-----------------------------------|-------|-------|
| Discount rates | 1.60% | 2.10% |
| Expected rates of salary increase | 1.00% | 1.00% |
| Expected pension increases | 0.00% | 0.00% |

The following sensitivity analyses based on the principal assumptions have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period:

If the discount rate would be 25 basis points (0.25 percent) higher (lower), the defined benefit obligation would decrease by CHF 570,314 (increase by CHF 616,962 if all other assumptions were held constant)

If the expected salary growth would increase (decrease) by 0.25%, the defined benefit obligation would increase by CHF 94,465 (decrease by CHF 83,060 if all other assumptions were held constant)

If the life expectancy would increase (decrease) with one year for both men and women, the defined benefit obligation would increase by CHF 283,163 (decrease by CHF 287,713 if all other assumptions were held constant)

The average duration of the defined benefit obligation at the end of the reporting period is 17.4 years (2013: 16.1 years)

The Group expects to make a contribution of CHF 635,897 to the defined benefit plans during the next financial year (2013: CHF 563,520).

31.2 Defined contribution plans

Within the subsidiaries operating the ski area there are a lot of seasonal workers who generally leave the Group at the end of the skiing season and draw the pension benefits at the same time which leaves no further liability to the Group. Therefore, for the season workers, the pension plan was treated as a defined contribution plan.

The pension plan of the subsidiary which operates the Chedi Hotel is administered by Hotela Vorsorgestiftung. This pension plan meets the definition of a defined benefit plan. However, regarding the employees there is not sufficient information available from Hotela Vorsorgestiftung as at end of the financial period. Therefore, it is accounted for as defined contribution plan for 2014 and 2013.

32 RISK ASSESSMENT DISCLOSURE REQUIRED BY SWISS LAW

Organizational and process measures have been designed to identify and mitigate risks throughout the Group at an early stage. The responsibility for risk assessment and management is primarily allocated to the entities. However, Group Finance has implemented monitoring and consolidating measures. The Group's entities report to the Group Finance on their current operations and financial situation regularly. Various reports and analysis have been implemented to allow the Group to monitor the operations closely and immediately identify risks and initiate mitigating actions. The Group has centralized certain functions (e.g. treasury, asset management, information technology, legal and human resources) to be able to identify and control risks more closely.

Group Finance assesses and consolidates all information from the entities and shares and discusses it with the Group Management on a regular basis. As the Group CFO is consistently and closely involved in the risk assessment process and the preparation of the consolidated financial statements it is ensured that all conclusions from the Group-wide risk assessment are adequately considered in the consolidated financial statements.

33 FINANCIAL INSTRUMENTS

33.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings from third parties (note 25), loans from shareholders (note 25), offset by cash and bank balances (note 20) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 21 to 24).

The Group is not subject to any externally imposed capital requirements.

According to the Group's internal policies and procedures, the Executive Management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

During 2013 the Group was refinanced through the following transactions: Debt in the total amount of CHF 181.703 million as well as cash of CHF 7.444 million were used to increase the share capital by the same amount from CHF 42 million to CHF 231.147 million. Through this capital increase the net debt to equity ratio was reduced considerably. Further, Mr. Samih Sawiris has invested an additional CHF 127.1 million in loans since the capital increase mentioned above, which increased the net debt to equity ratio.

Further, Mr. Samih Sawiris committed to another CHF 69 million of new equity or subordinated loans into ASA in order to secure funding of the resort Andermatt until 30 June 2016 if needed.

The gearing ratio was as follows:

| CHF | 31 December 2014 | 31 December 2013 |
|---------------------------------|--------------------|--------------------|
| Debt (i) | 145,378,027 | 86,468,597 |
| Less: Cash and cash equivalents | (10,543,087) | (11,159,966) |
| Net debt | 134,834,940 | 75,308,631 |
| Equity (ii) | 173,096,573 | 187,620,531 |
| Net debt to equity ratio | 77.90% | 40.14% |

- (i) Debt is defined as long- and short-term borrowings, as detailed in note 25. Before 2013 the loans from Orascom Development Holding AG were also included in debt. However, since the capital increase in 2013, no such loan exists.
- (ii) Equity includes all capital and reserves of the Group and non- controlling interests that are managed as capital.

33.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in 3.19 Financial instruments.

33.3 Categories of financial instruments

| CHF | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Financial assets | | |
| Cash and bank balances | 10,543,087 | 11,159,966 |
| Fair value through profit or loss (FVTPL) | - | - |
| Fair value through other comprehensive income (FVTOCI) (i) | 67,200 | 65,255 |
| Financial assets measured at amortized cost (ii) | 20,143,143 | 11,801,522 |
| Financial liabilities | | |
| At fair value through profit or loss (FVTPL) | - | - |
| At amortised cost (iii) | 192,701,899 | 131,838,164 |

- (i) Refer to note 15 for further details.
- (ii) Consists of trade and other receivables (note 17), receivables due from related parties (note 34) as well as other current assets (note 19).
- (iii) Consists of borrowings (note 25), trade and other payables (note 26), payables due to related parties (note 34) as well as other current liabilities (note 28).

33.4 Financial risk management

In the course of its business, the Group is exposed to a limited number of financial risks. The Group's activities expose it primarily to the market risks of changes in foreign currency exchange rates (note 33.4.1), interest rates (note 33.4.2) and certain price risk on equity investments (note 33.4.3) as well as credit risk (note 33.4.4) and liquidity risk (note 33.4.5). Most of these risks are minimal which is further described below.

It is, and has been throughout 2014 and 2013, the Group's policy not to use derivatives.

33.4.1 Foreign currency risk management

The Group's activities are mainly carried out in CHF and therefore no significant foreign currency risk exists. As at year end there are no foreign currency exposures.

33.4.2 Interest rate risk management

The Group is exposed to interest rate risk is very limited as the main part of the financing is provided by the majority shareholder through loans with fixed interest. The residual risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Due to the immaterial interest rate risk no sensitivity analyses have been prepared.

33.4.3 Other price risks

The Group is exposed to limited equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

33.4.4 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group credit risk arises from transactions with counterparties, mainly individual customers and corporations. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist mainly of a few customers from sales of real estates. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on sales of real estate is limited because the Group controls this risk through the property itself by registering the unit in the name of the customer only after receiving the entire amount due from the customer.

Counterparty risk is also minimized by ensuring that all financial assets are placed with well known banks in Switzerland.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

33.4.5 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. Financing is mainly provided by the majority shareholder Mr. Samih Sawiris who has already committed to invest at least CHF 150 million of new equity or subordinated loans into ASA in order to secure funding of the Andermatt Resort until 2017.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

| 2014 | Weighted average effective interest rate | Less than 6 month | 6 months to one year | 1 – 5 years | 5 + years | Total |
|------------------------------------|--|-------------------|----------------------|------------------|--------------------|--------------------|
| CHF | | | | | | |
| Non-interest bearing | - | 47,350,872 | 150,000 | 880,000 | 500,000 | 48,880,872 |
| Variable interest rate instruments | 2.77% | 7,053,341 | 1,066,254 | 3,446,984 | 359,177 | 11,925,756 |
| Fixed interest rate instruments | 3.22% | 1,407,151 | 451,505 | 3,558,919 | 127,099,483 | 132,517,058 |
| TOTAL | | 55,811,364 | 1,667,759 | 7,885,903 | 127,958,660 | 193,323,686 |

| 2013 | Weighted average effective interest Rate | Less than 6 month | 6 months to one year | 1 – 5 years | 5 + years | Total |
|------------------------------------|--|-------------------|----------------------|------------------|-------------------|--------------------|
| CHF | | | | | | |
| Non-interest bearing | - | 45,269,568 | - | 985,000 | 849,000 | 47,103,568 |
| Variable interest rate instruments | 3.23% | 6,021,121 | 1,694,386 | 3,467,363 | - | 11,182,869 |
| Fixed interest rate instruments | 3.20% | 1,289,313 | 285,150 | 4,074,457 | 68,837,442 | 74,486,362 |
| TOTAL | | 52,580,002 | 1,979,536 | 8,526,820 | 69,686,442 | 132,772,799 |

33.5 Revaluation losses on financial assets

The investments in Sasso San Gottardo SA as well as in Green Power Uri AG were revalued to zero in 2013 (refer to note 17 for further details). There were no revaluations in 2014.

33.6 Fair value of financial instruments

33.6.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

33.6.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes unlisted and listed equity investments classified as at FVTOCI).
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

33.6.3 Fair value measurements recognised in the consolidated statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTOCI (see note 17 for further details) are grouped into Level 3 as none of them are listed and their values are not based on observable market data. The financial assets at FVTOCI were measured at fair value based on a method that combined the earning and net equity book values of the companies.

Reconciliation of Level 3 fair value measurements of financial assets

| CHF | Unquoted equity securities | |
|--|----------------------------|-----------|
| | 2014 | 2013 |
| Opening balance | 65,255 | 203,300 |
| Total gains or(losses) recognized in other comprehensive income | - | (155,000) |
| Acquired through business combination (refer to note 30) | - | 11,955 |
| Purchases | 1,945 | 5,000 |
| Closing balance | 67,200 | 65,255 |

34 RELATED PARTY TRANSACTIONS

A party (a company or individual) is related to an entity if:

- a) directly, or indirectly through one or more intermediaries, the party:
 - i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - ii. has an interest in the entity that gives it significant influence over the entity; or
 - iii. has joint control over the entity;
- b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
- c) the party is a joint venture in which the entity is a venturer (as defined in IAS 31 Interests in joint ventures);
- d) the party is a member of the key management personnel of the entity or its parent;
- e) the party is a close member family of any individual referred to in (a) or (d);
- f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following balances were outstanding at the end of the reporting period:

| CHF | Due from related parties | | Due to related parties | |
|-------------------------------------|--------------------------|----------------|------------------------|-------------------|
| | 31.12.14 | 31.12.13 | 31.12.14 | 31.12.13 |
| Financial instruments | | | | |
| Besix Group SA | | - | 3,871,000 | 3,871,000 |
| Non controlling shareholders | | | | |
| Orascom Development Holding AG(i) | 561,503 | 831,990 | - | - |
| Close family members | | | | |
| Samih Sawiris – (ii) | - | - | 128,048,636 | 68,837,442 |
| Total | 561,503 | 831,990 | 131,919,636 | 72,708,442 |
| Current | 561,503 | 831,990 | 4,820,153 | 3,871,000 |
| Non-current | - | - | 127,099,483 | 68,837,442 |
| Total | 561,503 | 831,990 | 131,919,636 | 72,708,442 |

(i) In June 2013, the carrying amount of the loans of ODH, the sole shareholder at that point of time, was swapped into equity during the capital increase in June 2013. The loans of ODH are presented within current borrowings (note 26).

(ii) Loans from Mr. Samih Sawiris are disclosed in note 25. Further transactions involving Mr. Samih Sawiris, Chairman and major shareholder:

Acuro Transaction

Acuro Immobilien AG ("Acuro") has purchased 73 apartments in The Chedi Andermatt, Switzerland from one of the Swiss subsidiaries of the Group for CHF 122.7 million plus participation in future sales profits on the properties. 50% of the agreed purchase price has been collected at closing of this transaction with the residual 50% payable in pre-agreed instalments according to the progress of construction work.

Acuro is a real estate investment vehicle that is managed by third parties. Mr. Samih Sawiris, Chairman of the Board of Directors and major shareholder of Orascom Development, and his family invested into Acuro as an important minority shareholder.

As at 31 December 2014 as well as 2013 there are no receivables due from Acuro outstanding. No real estate units were completed during 2014 therefore there was no revenue in 2014 from actual sales of real estate (2013: CHF 48.4). However, there was revenue in relation to resale provisions and further development of completed units of CHF 1.1 million. The revenue of the residual unfinished real estate units has been deferred as not all criteria necessary to recognize revenue have been met. Revenue will be recognized upon completion of the residual real estate units.

Disposal of Andermatt Hotel Holding

In 2014 the 100% subsidiary Andermatt Hotel Holding was sold to a company owned by Mr. Samih Sawiris. For further details refer to note 29.

35 NON-CASH TRANSACTIONS

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flow:

- Capitalization of interest of CHF 1.7 million over projects under constructions (see note 10).
- Disposal of subsidiary through netting-off of amount due to related parties of CHF 0.4 million (see note 29)
- Disposal of non-current assets held for sale through netting-off of amount due to related parties of CHF 0.1 million

36 OPERATING LEASE ARRANGEMENTS

36.1 The Group as lessee

36.1.1 Leasing arrangements

Operating leases relate to office facilities with lease terms of 5 to 10 years as well as cars with lease terms of 2 to 3 years. The Group (as a lessee) does not have an option to purchase these leased assets at the expiry of the lease periods.

36.1.2 Payments recognised as an expense in the period

| CHF | 2014 | 2013 |
|------------------------|------------------|----------------|
| Minimum lease payments | 3,285,894 | 316,620 |
| TOTAL | 3,285,894 | 316,620 |

36.1.3 Non-cancellable operating lease commitments

| CHF | Total of future minimum lease payments | |
|--|--|------------------|
| | 31 December 2014 | 31 December 2013 |
| Not longer than 1 year | 1,181,160 | 169,770 |
| Longer than 1 year and not longer than 5 years | 3,446,959 | 141,000 |
| Longer than 5 years | 4,278,654 | - |
| TOTAL | 8,906,773 | 310,770 |

The increase in lease expense as well as in non-cancellable operating lease commitments is mainly due to rental agreements in relation to the land of the golf course which have been finalized in 2014 as well as rental agreements with owners of units of the holiday resort.

In respect of non-cancellable operating leases, no liabilities have been recognised.

37 FINANCE LEASE ARRANGEMENTS

37.1 The Group as lessee

37.1.1 Leasing arrangements

The Group leased certain of its operating equipment in the skiing areas as well as certain electronic equipment for the Chedi hotel. The lease terms are between 5 and 10 years. The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title in the leased assets.

37.1.2 Finance lease liabilities

| CHF | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------------|---|------------------|
| | 31.12.14 | 31.12.13 | 31.12.14 | 31.12.13 |
| Not longer than 1 year | 1,868,750 | 1,574,463 | 1,687,679 | 1,391,930 |
| Longer than 1 year and not longer than 5 years | 3,570,056 | 4,074,457 | 3,381,937 | 3,655,867 |
| Longer than 5 years | - | - | - | - |
| | 5,438,806 | 5,648,920 | 5,069,616 | 5,047,797 |
| Less: future finance charges | (369,190) | (601,123) | - | - |
| Present value of minimum lease payments | 5,069,616 | 5,047,797 | 5,069,616 | 5,047,797 |
| thereof current borrowings (note 25) | | | 1,687,679 | 1,391,930 |
| thereof non-current borrowings (note 25) | | | 3,381,937 | 3,655,867 |

38 COMMITMENTS FOR EXPENDITURE

The following commitments for expenditure have been made for the future development of the respective projects:

| CHF | 2014 |
|-----------------------------|------------|
| Andermatt Swiss Alps AG (i) | 15,825,000 |

- (i) ASA has obligations towards the canton of Uri and the municipality of Andermatt. ASA is responsible for the construction of certain parts of the tourism resort Andermatt. Within certain periods of time or should the construction work be stopped for whatever reason, ASA has the obligation to rebuild the relevant plots of land to the original state. At 31 December 2014, 36,985 ASA shares with a nominal value of CHF 1,000 each, amounting to a total book value of CHF 36,985,000, have been pledged as a security to the canton and municipality. Additionally, land with a value of CHF 1,000,000 has been pledged under this transaction.

One part of the Group's business is to acquire land for the development of touristic projects. Out of these business opportunities often no legally binding commitments incur however the Group has unbinding business opportunity commitments in relation to their projects. Such commitments should be considered together with the legally binding commitments for expenditure listed above.

39 LITIGATION

One of the contractors involved in the construction of real estate of the Group claimed an additional CHF 8.2 million for their services. Management of the Group believes that the claims are unjustified and has engaged a third party lawyer. However, as no litigation settlement has been achieved so far, a liability of CHF 8.2 million in relation to the claim of the contractor is still included in trade payables.

There were no significant litigations in process as at 31 December 2013.

40 SUBSEQUENT EVENTS

There were no subsequent events after 31 December 2014.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors and authorized for issue on 27 May 2015

REPORT OF THE STATUTORY AUDITOR

To the General meeting of Andermatt Swiss Alps AG, Andermatt

Report on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Andermatt Swiss Alps AG, Andermatt, which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, cash flow statement and notes (pages [7] to [44]) for the year ended 31 December 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards and comply with Swiss law.

Emphasis of Matter

We draw attention to Note 4.2.5 of the financial statements describing the existence of material uncertainty in relation to the successful completion of the Andermatt project, which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In the course of our audit in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that significant processes of the internal control system in significant subsidiaries relating to the preparation of financial statements were not documented.

In our opinion, except for the matter described in the previous paragraph, an internal control system designed for the preparation of consolidated financial statements exists in accordance with the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte AG

A blue ink signature, appearing to be 'R. Müller', written in a cursive style.

Roland Müller
Licensed audit expert
Auditor in charge

A blue ink signature, appearing to be 'C. Gabriel', written in a cursive style.

Christian Gabriel
Licensed audit expert

Zurich, 27 May 2015