29 April 2014

Summit Germany Ltd. (“Summit” or the “Group” or the “Company”)

2013 Full Year Results and Q1 2014 Trading Update

Summit Germany Ltd (LSE: SMTG), the German commercial real estate Group, announces its full year audited results for the year ended 31 December 2013, unaudited post balance sheet events and trading update for Q1 2014.

Highlights:

2013

- Significant uplift in the Group’s profitability - 2013 net profit of €23.8m (2012:€38m loss).
- Refinancing of all of the Group borrowings
- Consistently high tenants' retention rate of 83%
- Signing of 142 new leases and renewals (rent of €9.5 million p.a)
- Average occupancy rate of 86.4% (2012: 88%)
- Sale of three properties at a 19% premium to their latest valuation, with proceeds of €12 million and a profit of €1.9 million
- EPRA NAV per share at 31 December of 70c (2012: 58c)(NAV: 64c; 2012: 48c).
- 2013 rental income of €39.5m (2012: €40m on like-for-like basis)

2014

- Admission to trading on AIM and successful placing raising €35 million gross (February 2014)
- Acquisition of a portfolio of 11 properties with a gross rental yield of 13.7% through the acquisition of a €73.5 million loan (April 2014)
- Q1 2014 rental income of €10m (Q1 2013: €10 million)
- Successful pre-sales in the Company’s funding of residential development in Berlin (35% of the units sold). Marketing of two additional projects to commence shortly
- Proforma figures reflecting the impact of Q1 trading, the €35 million fundraising and portfolio acquisition:
    - Proforma EPRA NAV of ca. €230m; 78c per share (NAV of ca €213m; 73c per share)
    - Bank LTV decreased from 63% as of 31 December 2013 to 54% on a Proforma basis (2012: 86%)

Dividends

- The Group intends to distribute dividends to the shareholders on a quarterly basis

- Following the full deployment of the proceeds of the Placing and after the expiry of the legacy swaps in the second half of 2014, the Company is on track to deliver its expected dividend policy.
- The Company has declared a dividend of 0.5 cents per share as an interim dividend payable on May 26, 2014 to shareholders of record on May 15, 2014.

Harry Hyman, Chairman, commented: "Summit Germany is generating consistent and healthy cash flows and is well positioned to deliver high and growing dividend returns for its shareholders. We are proud to be listed again and looking forward to further growth of the business in the near future".

Zohar Levy, Executive Director and Managing Director, added: "This was a successful period for the Company. All of our debt is refinanced on a long term basis and our income is stable. We see further upside from both our existing properties and the impact of potential new acquisitions. We are confident that this will result in additional growth and increased cash flow."

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Chairman's and Managing Director's Report

We are pleased to present the audited results for the year ended 31 December 2013 and the Group's Management report.

Results

Summit performed strongly in 2013, creating a solid financial platform from which to expand. During the period the Company completed a number of refinancing agreements, all loan facilities have been secured until the end of 2017 and beyond, following a major €280m refinancing in February 2013, and a further €24m refinancing in November 2013.

In February 2013, Summit acquired €120 million face value B-note at a discount of €30 million by using equity and a loan from its major shareholder.

The business model and strategy have continued to work well and as a result we can report growth in the NAV per share of 33%. Total net profit for the year ended 31 December 2013 increased to €23.8 million (2012: loss €37 million).

At December 31 2013, the Group's EPRA Net Asset Value ("EPRA NAV") [1] was 70c per share (2012: 58c), an increase of 21%. Taking into account the fundraising and the portfolio acquisition after December 31, as well as the Q1 trading, we expect the EPRA Net Asset Value to grow to 77 cents.

While 2013 was a stable year from the operational side, good progress was made preparing the funding sources to take advantage of the opportunities in the German market. The Company was pleased to finalise its admission to the AIM market of the London Stock Exchange ("LSE") in February 2014.

45 days following admission and the fund raising, the Group was again fully invested following the acquisition of a loan with a face value of €73 million, financing a commercial property portfolio, for €45.5 million.

The Board recognises the importance of dividends to our shareholders and while it remains prudent it has decided to pay an interim dividend of 0.5c per share. This dividend is payable on 26 May 2014 to shareholders on the register at the close of business on 15 May 2014.

[1] EPRA NAV is calculated based on the IFRS NAV excluding the effect of deferred taxes and the value of hedging instruments.

Our business

Summit Germany is a German commercial real estate company, with a portfolio of high quality properties mainly focused in Germany's key commercial centres. We aim to grow our sizeable portfolio through acquiring undervalued properties and portfolios, and enhancing their value through active management. Our internal management team has over 10 years' experience investing in high yielding properties across Germany. Our major objective is to drive up the capital values of our properties, and in turn generate attractive dividend yields for our shareholders.

Our strategy is to acquire high yielding German commercial assets, primarily from distressed vendors and banks:

Focusing on quality buildings in established locations, with:

- Long term stable income
- High positive yield gaps (currently ca. 4.5%)
- Low capital values, below their replacement cost
- Sustainable growing cash flow to deliver an attractive dividend yield
- Substantial upside potential for rent and capital value increase through growth of the German property market

We maximize value via:

- Pro-active asset management with strong local on-site management
- Reducing vacancy rate by letting, redevelopment and/ or conversion to residential

Our strategy is achieved by being well positioned to take advantages of various situations in the market. Using our strategic contacts we evaluate the potential investments assessing their potential yield and capital growth. We look for opportunistic investments which, via intensive asset management, can improve occupancy rates or rezoning which leads to strong cash flow and increasing capital growth for shareholders.

The Board monitors Key Performance Indicators ("KPIs") as set out below to review the Group's performance in meeting its Strategic Objectives.

Key Performance Indicators (“KPIs”)

Objective: To maximise long term stable income

Metric

- Continue to grow rent roll
- Maintain weighted average lease term
- Retention rate which reflects the Group’s strong relationship with the tenants and their satisfaction with the leased space.

Performance

- Despite an early termination of a substantial tenant in Koln, we maintained a stable annual rent. The portfolio generated rental income for the year ended on 31 December 2013 of €39.5 million (2012: €40 million on like-for-like basis).
- Many of the new leases, as well as renewals, had fixed rental uplift
- Weighted average lease length increased to 4.4 years (2012: 4.3 years)
- Retention rate increased to 83% (2012: 78%).

Objective: To deliver sustainable long-term shareholder value and returns

Metric

- Sustained growth in Earning per Share (EPS)
- Growth in EPRA NAV per share
- Dividend distribution

Performance

- EPS of 8.1c (2012: 13.9c loss per share)
- EPRA NAV per share 70c (NAV per share 64c), 31 December 2012: EPRA NAV per share 58c (NAV per share 48c)
- Dividend declared of 0.5c per share (2012: none)

Objective: To manage our balance sheet effectively

Metric

- Maintain longevity of debt facilities
- Maintain appropriate balance between debt and equity within covenanted levels

Performance

- €305 million of debt facilities secured in 2013
- LTV at 63% well within current and future covenant limits (2012: 86%)
- Equity issue in February 2014 raised net proceeds of €30 million
- Average maturity of debt facilities extended to 4.3 years (2012: 1.3 years)

Significant transactions

Refinancing of major debt

The most significant transaction during the year was completed in February 2013, when the Group reduced most of its liquidity exposure. The Group completed a re-financing of a €280 million Royal Bank of Scotland ("RBS") credit facility. This financed three asset portfolios of 84 assets held by the Group (the: "RBS Facilities"). The assets include rental space of 585 thousand sqm, and produced annual rental income of ca. €38 million.

As part of the transaction with RBS, the Group acquired a portion of the bank loan with a face value of €120 million ("B-NOTE" or "Junior Tranche") for a consideration of €90 million. This discount contributed €30 million of immediate value to Summit.

The credit facilities were extended for a further 5 years with an amendment of the margin, amortization, financial covenants, as part of these agreements the Group is committed to sell or to refinance certain properties before 2017.

This transaction was made possible by the Group receiving a shareholder loan from Summit Real Estate Holding Ltd ("SHL") of € 46.5 million. SHL financed the shareholders loan by issuing bonds to the public with recourse rights (they are subject to several covenants). The terms of the shareholders loan are back to back to the terms of the bonds. (Further details on the terms and covenant requirements are described in note 9). As of the date of this report the Group and SHL are in compliance with all covenants.

The Group entered into new hedging arrangements for the remaining life of the loans. The total interest cost (margin and hedging swaps) of the refinanced RBS loan equates to ca. 3.5% per annum (following the expiry of legacy swap).

The Board believes that these facilities provide well priced and secure borrowings for the medium term.

Further refinancing

In 2013 the Group also refinanced a loan of ca. €24 million with a final maturity in September 2018 which has further strengthened the working capital.

The new loan of €23.5 million bears an aggregate interest rate of 2.66% p.a. and is secured by a land charge and further customary covenants.

Residential projects

The Group entered into an agreement to provide funding for three residential projects in Berlin up to a sum of €6.2 million for 15% interest plus a share in the projects' profits. The loans and accrued interest are repayable from the revenues of the projects, no later than May 2016. During 2013 the Group invested ca. €4.9 million of this amount.

The projects are in different stages of development with one project having just reported a 35% presale of its spaces.

Post balance sheet event - Loan acquisition

In April 2014, the Company completed the purchase of a loan facility on a portfolio of 11, previously owned, commercial properties in Germany. The total cost of the acquisition was ca €45.5 million plus immaterial deal expenses, while the loan facility has a face value of €73.5 million.

On acquisition of the loan facility, Summit regained full control over the properties and it will be consolidating them commencing the second quarter of 2014. It is expected to increase the Group's equity by ca. €28 million which was previously written down.

The Portfolio comprises mainly office properties throughout Germany. It has an aggregate Net Lettable Area of 90,000 sqm and a current occupancy rate of 71%. The properties generate an aggregate Net Annual Rent of approximately €6.3 million, reflecting a gross rental yield of 13.7% on the acquisition cost. We believe that there is a significant opportunity to add value from active asset management over time.

Asset management achievements

Asset management platform

Our 50-strong asset management team performed well last year, delivering 142 new leases and renewals with related annual net rent of €9.5 million (2012: €8.9 million). The team, based in Berlin and Frankfurt, takes care of both property maintenance and marketing of the vacant units and lease renewals. We work hard to strengthen our relationships with tenants. This has been proven by high renewal rates of 83% in 2013 up from 78% in 2012.

The team have the skills and experience to meet the tenants' needs, as well as the maintenance of the properties with additional room to absorb new acquisitions and manage them from day one.

Occupancy

Despite an early termination of one tenant in Koln during 2013 leaving 10,930 sqm vacant the occupancy rate decreased only to 86.4% (2012: 88% on Like-for-like basis) as a result of the successful marketing of vacant units.

Property Disposals

The Group has made several asset disposals in 2013. These included:

- A non-yielding plot of unused land situated close to another Group property for €430,000. There was no value attributed to this plot in the accounts and the entire proceeds of €430,000 were recorded as profit.
- In July 2013 the Group sold a 3,000 sqm property in Frankfurt for €10.6 million at a 13% premium to December 2012 book value. The property was for commercial and office use, the annual rent was €560,000 reflecting a 5.3% exit yield. An overall profit of €1.4 million over December 2012 book value was recorded.
- In November 2013 the Group sold a small, commercial property located in former East Germany, for €925,000 which was similar to its book value. The property of approximately 950 sqm was for commercial use, leased to a single tenant for a remaining short period. The annual rental income from the lease of the property was approximately €98,000.

Those sold properties were financed by the RBS credit facilities; therefore their disposals are counted for the fulfilment of the Group commitment to dispose or to refinance several properties.

- In March 2014, the Group sold its participation in a property in Berlin for €1.1million at a 53% premium to December 2013 book value. The sale reflects 5.2% exit yield and overall profit of ca. €600,000 over December 2013 book value.

Property Portfolio

In total, the portfolio which was valued at €501 million at December 31, 2013, generates net rent of €39.5 million per annum linked to CPI/with fixed rent uplifts, and a vacancy of 13.6%. It comprises lettable area of 646,895sqm on ca. 1,100,000 sqm of land with a yield of 8.2% generated from 86 properties with over 500 tenants. The annual net rental income of the portfolio on full occupancy is estimated at €46 million which would reflect a yield of 9.2% on current book value.

The current portfolio, including the latest debt acquisition in April 2014, was acquired in 2006-7 with 80% of the income deriving from strong tenants. The portfolio is multi-let, with no dependency on key tenants while the tenant retention rate has risen to an average of above 82% in the last 3 years.

The existing portfolio includes some assets which have the potential to be converted into much higher-value residential use. For some of these assets the conversion process has commenced already. Our surplus land adjacent to our existing properties, mainly the logistics assets, has potential for other uses.

Geographically, half of the portfolio's income is derived from the three major cities, Berlin (21%), Hamburg (15%) and Frankfurt (14%) with a further 26% in Cologne, Dusseldorf, Stuttgart and Munich. 86% of the rent roll is generated in former West Germany. The largest 10 properties account for 42% of the portfolio's income.

Finance

Shares and Equity

Net assets attributable to equity shareholders at 31 December 2013 were €153 million (2012: €132 million). The net profit contributed €22 million to the increase (2012: €38 million loss) of net assets thereoff. In total this has boosted the equity by of €42 million (2012: €19 million decrease). At the end of the year the Company effected a buyback of 36,000,000 million shares for 59.5 cents per share.

There were 239 million shares in issue at 31 December 2013 (2012: 275 million shares) while at admission to AIM a further 54,971,291 new ordinary shares were issued raising €30 million net of costs.

Following the fund raising and the latest debt acquisition the proforma EPRA NAV per shares is 77 cents (2013: 70c; 2012: 58c).

Loan to Value

Bank debt to property value decreased during 2013 to 63% (2012: 87%) and following the latest debt acquisition in April 2014 it further decreased to 53%.

The Group's equity ratio to total debt increased to 43% during 2013 from 29% at December 31, 2012.

The Group's efforts to reduce gearing were successful as net bank debt decreased by €134 million during the year to €313.5 million as of 31 December 2013 (2012: €447 million). The total debt decreased by €88 million as shareholders loan was received (€46 million).

It is our intention to reduce the leverage further to 50% or below.

Funding

At 31 December 2013, the Group had total bank facilities of €313.5 million with weighted average debt maturity of 4.3 years, all of which were fully drawn. Cash resources at the year-end were €24 million.

During the year the Group refinanced several facilities of €304 million, which after the refinancing are due for repayment during 2017-2018. The major refinancing of the Z3, Z6 and Clara credit facilities was done with the acquisition of B notes with a face value of €120 million for €90 million, reflecting a €30 million discount. This achieved two objectives: reducing the net bank debt while creating value for the Company. This also allowed the extension of the remaining facility for five years for increase in margin to 2% and general obligation to dispose or refinance several properties over 5 years. The Group is in compliance with all of its covenants at the date of this report.

In order to finance the B note acquisition the Group borrowed €46 million from its largest shareholder SHL for a five-year period. As SHL obtained those funds by issuing recourse debentures, the shareholders loan terms are back to back to the debentures terms and subject to the same securities and covenants. The Group and SHL are in compliance with all of its covenants at the date of this report.

In November 2013, the Group successfully refinanced the Ramhof-Frankfurt loan replacing the €24 million loan due in January 2014 with the new loan of €23.5 million. The credit facility is for 5 years, with 0.5% amortization p.a., secured by first ranking mortgage, and subject to several customary covenants. The loan bears interest of 1.64%+ 3month Euribor which was hedged in 1.0175% for the entire life of the loan.

Subsequent events

In February 2014, the Company successfully completed a placing of shares and Admission to trading on the AIM market of the London Stock Exchange issuing 54,971,291 new shares at a share price of 63c. Costs incurred for the admission and placing amounted to €4.3 million which resulted in net proceeds of €30 million.

On April 11 2014 the Group completed the acquisition of a credit facility that financed a portfolio owned by the Group but not consolidated due to lack of control. The acquisition was made for ca. €45.5 million acquiring €73.5 million of face value debt.

Bank Credit Facilities as at December 31, 2013

An analysis of the Group’s bank loan facilities is set out below.

		Financing Date						Loan to Value		ICR / DSCR Ratio	
Credit Facility	Debt Provider	Start	Maturity	Loan Amount (€mn)	Interest (*)	Amortis-ation	MV (€mn)	Covena-nt	Actual	Coven-ant	Actual
Z3	RBS	02.2013	12.2017	63.1	3.49%	1.50%	88.1	85-80%	71.5%	125%	172%
Z6	RBS	02.2013	12.2017	56.5	3.66%	1.50%	97.7	85-80%	57.9%	115%	165%
Clara	RBS	02.2013	12.2017	151.8	3.71%	1.50%	254.7	85-80%	59.6%	110%	134%
Rahmhof	DG Hyp	11.2013	11.2018	23.5	2.66%	2.00%	32.9	75%	71.4%	145%	165%
Luneburg	HASPA	10.2012	12.2021	5.4	e+1.75%	2.75%	11.3	NR	48.2%	125%	225%
Pinkertweg	HASPA	10.2012	12.2019	11.6	e+1.75%	2.75%	14.8	NR	78.2%	125%	183%
Other				1.6							
				313.5			499.5		62.4%		
S/H loan	SREH	02.2013	07.2019	46.5	9.50%	(a)	NR	NR	NR	115%	269%

(a) As agreed in the loan agreement (during 2014 - €2.6 million)

(*) Following the expiry of legacy swaps

The German market

The German economy remained solid in 2013 and is considered to be the largest economy in Europe. The gross domestic product increased by 0.4% in 2013 (0.7% in 2012), the employment level rose in 2013 and achieved a new high of 41.8 million. Although growth slowed in 2013 compared to the previous year, economic experts are cautiously optimistic about 2014.

Germany's economic recovery is relevant for property markets as it affects tenants demand for spaces and their willingness to commit to long term leases. It also impacts investors' appetites which in turn affects the yields of commercial properties and the opportunities which exist in the market.

In 2013, the German property market witnessed new real estate investments of € 30.4 bn, an increase of 20% or € 5.1 bn more than in 2012. €13.1 bn was invested in office properties (an increase of 25% on 2012) and € 8.9 bn in retail properties (+ 12% y-o-y).

The fourth successive rise in the annual volume of transactions makes 2013 the strongest year for commercial real estate investments in the period 2008 to 2013.

The key players in the German market during 2013 were mainly domestic investors. Whilst foreign capital contributed 41% towards 2012 transactions, in 2013 their share was only 31%. However this development is not due to weakening interest in the German market.

Rather, the strong demand from domestic investors has put the brakes on investment opportunities for foreign capital, which emphasis the importance of having local management in place. Both the high foreign volumes and the increased domestic volumes are indicators of the great confidence in the German real estate market in comparison to other markets.

The occupier market in Germany is relatively stable but still during 2013 our marketing team has recognised increased demand and willingness of tenants to commit to longer leases.

Outlook

Since the downturn in the property market in 2008 Summit focused on cutting its cost base and internalising its asset management. As a result its investment portfolio performed well with rent roll and occupancy both stable. This strategy proved itself during 2013 when the Group was able to refinance and to obtain a firm platform to expand.

With the strong management team, Summit can leverage its team's capabilities through further portfolio expansion. Following the post year-end completion of the acquisition of the debt of 11 properties, the IPO funds are fully invested and the Group has an additional attractive pipeline.

Property values across Germany are lagging the current UK market recovery, and offer good growth prospects from a low rental and capital value base in our view. Summit's existing portfolio has diverse and stable income with capital growth potential. Together with the expected expiry of the legacy interest rate swap contracts we expect a further positive NAV growth.

Looking ahead to 2014, the combination of an improving German property market with low interest rates has historically created a high positive yield gap of 4.5%. Due to our strong presence in the market and our professional asset management team we are well positioned to take advantage of opportunities that arise.

We look forward with confidence to 2014.

Harry Hyman
Chairman

Zohar Levy
Managing Director

29 April 2014

Report of the Directors

The Directors of Summit are pleased to submit the Audited Consolidated Financial Statements of the Group for the year ended 31 December 2013.

The Company

The Company was incorporated and registered in Guernsey on April 19, 2006.

The Company owns, enhances and operates commercial real estate assets in Germany including office buildings, logistic centers and others, which are leased to numerous commercial and industrial tenants. The Company invests primarily in such properties that provide substantial income flows and potential for value increase through asset management. The Company does not acquire properties for speculative purposes.

In December 2013 the Company resolved to admit its shares to trading on the AIM market of the London Stock exchange ("LSE"). The process successfully completed on February 26, 2014 when the placing took place and further 54,971,291 new ordinary shares were issued at a price of 63c. The net from costs proceeds amounted to €30 million.

The Company was a closed ended authorised investment scheme registered under The Protection of Investors Law (Bailiwick of Guernsey) 1987. In December 2013, the Company and its shareholders had approved to apply to the Guernsey Financial Services Commission (the "GFSC") for consent to deregister as a closed ended authorised investment scheme under The Protection of Investors Law (Bailiwick of Guernsey) 1987. This request was approved by the GFSC on January 21 2014.

Results

The results for the year are shown in the Consolidated Statements of Comprehensive income on page 5. The Group recorded a profit for the year attributable to Ordinary Shareholders of €22 million, representing an EPS of 8.1c per Ordinary Share (2012: loss of €37.1 million, loss of 13.9c per Ordinary Share).

At the year end the Group had net assets of €160.1 million (2012: €134.7 million), of which €152.8 million (2012: €132.6 million) was attributable to Ordinary Shareholders, equating to 64c per Ordinary Share (2012: 48.2c).

Further details on the group results are described in the Chairman's and Managing Director's reports.

Directors' and Other Interests

The following Directors, including persons connected with them, held the following number of Ordinary Shares:

	At 31 December 2013		*Immediately following Admission*	
	Ordinary Shares		**Ordinary Shares**	
	Number	**% of issued Share Capital**	**Number**	**% of issued Share Capital**
Zohar Levy *	141,966,000	59.40%	141,966,000	48.30%
Sharon Marckado Erez	-	-	-	-
Quentin Spicer	59,040	0.03%	59,040	0.02%
Tim Parkes	-	-	-	-
Harry Hyman	-	-	80,000	0.03%

* The shares are held by Summit Real Estate Holdings Limited through its wholly owned subsidiaries (Unifinter Administratiekantoor B.V. (Netherlands) and Summit Real Estate GmbH & Co. Dortmund K.G. (Germany)).

In December 2013, the board of directors approved a buyback of 36,000,000 shares from Unifinter Administratiekantoor B.V at a price per share of 59.55 cents, which was subsequently approved by the Shareholders. For further information on equity please see note 13d to the financial statements.

Summit Management Co S.A. ("SMC"), a Swiss company controlled by Zohar Levy, has provided portfolio management services to the Group since May 2006. Sharon Marckado Erez is employed by SMC. For more details on the contract please see note 15 to the financial statements.

Management

Under the initial management agreement which was in effect during the reported period, SMC was entitled to annual basic management fee of 0.5% of the aggregate value of the assets under management. The initial agreement was for a 10 years term.

The management agreement was amended on February 14, 2014 in preparation of the Admission.

Accordingly, SMC is responsible for providing certain public company services and advisory services to the Group, including the provision of the Group's Managing Director and Finance Director, Zohar Levy and Sharon Marckado Erez respectively.

SMC will, from the date of Admission, receive an advisory fee equal to €750,000 per annum, payable quarterly, plus the potential to receive a bonus of up to €750,000 per annum depending on certain performance criteria, which will cover the salaries of Mr Levy and Ms Marckado Erez together with certain administrative and other costs of the Company.

The annual bonus may be payable in each accounting year of up to €750,000 ("Maximum Bonus") based on hurdles to be determined by the remuneration and nomination committee of the Company, save that in respect of the accounting year ending 31 December 2014 the bonus shall be payable if the Company's Funds From Operations ("FFO") is equal to or greater than 112% of the FFO for the year ended 31 December 2013 ("Base FFO").

Where the Company's FFO in the accounting year ending 31 December 2014 is above the Base FFO but less than 112% of the Base FFO, SMC shall be entitled to an amount equal to the pro-rata proportion of the Maximum Bonus. Any Bonus which SMC is entitled to receive in any relevant accounting year shall be reduced by an amount equal to any carried interest amount paid to SMC pursuant to the articles of association of Summit Finance Ltd ("SFL") in respect of the same accounting year, provided that any Bonus shall not be reduced to less than zero.

The articles of association of SFL (“SFL Articles”) contain certain provisions which relate to SMC’s carried interest entitlement in respect of their services provided under the initial Portfolio Management Agreement from 2006.
SMC holds special B shares in Summit Finance Limited which will give it the right to receive a carried interest if the Company distributes a cash return on shareholders' equity of at least 8% in any financial year ("the Hurdle"). SMC will be entitled to receive 25% of the cash return in that year in excess of the Hurdle after deducting the carried interest entitlement. If the Company has not achieved a cash return on shareholders' equity of at least 8% in any previous year ("a Shortfall"), the carried interest will not be paid until the Shortfall has been made up. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of aforementioned. As of 31 December 2013, the Shortfall is approximately €146.7 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

SFL articles were amended so SMC’s entitlement to receive any carried interest payable is by virtue of its ownership of B shares in SFL. The SFL Articles and the amended Portfolio Management Agreement provide that the B shares may be held by whoever is the appointed asset manager under the Portfolio Management Agreement or any other asset or portfolio management agreement to which the Company is a party from time to time.

Going Concern and financing development

As at 31 December 2013, the Group's bank borrowings amounted to €313.5 million (in 2012: €447 million), of which €6 million (in 2012: €103 million) were classified in current liabilities due to the fact that their payment date was during 2013. The decrease in the bank borrowings from December 31, 2012 to the balance sheet date resulted mainly from the transaction described below.

On February 27, 2013 the Group and Royal Bank of Scotland ("RBS") completed a re-financing of non-recourse debt of €401 million at that date (and which included € 95 million due to be repaid during 2013) that financed 3 asset portfolios that included 88 assets of the Group (the: "RBS Facilities").The assets include rental space of about 585 thousand sqm, and produce annual rental income of €38 million.

As a part of the transaction with RBS, the Company acquired through a subsidiary ("Gallia") a portion of RBS bank loan in the amount of €120 million ("B-note" or "Junior Tranche") for a consideration of €90 million. As a result, Gallia has become a creditor of the holding property subsidiaries ("property companies") holding the Junior Tranche of €120 million and RBS holds the Senior Tranche of €281 million.

The Company financed this acquisition partly by its own funds and partly by a loan received from SHL in the amount of € 46.5 million (the: "Shareholder Loan"). To finance the Shareholder Loan, SHL issued bonds (the: "Bonds") to the public with recourse. The terms of the Shareholders Loan are back to back to the terms of the Bonds. For further details on the Shareholders Loan terms as well as securities granted please see note 9(A).

In November 2013, the Company refinanced a loan of €24 million which was due in January 2014, to be payable in 2018 (see note 9A to the financial statement) – which has strengthened Further the working capital.

During the reporting period the Group has disposed 3 properties at a 19% premium to their latest valuation, with proceeds of €12 million and a profit of €1.9 million. Further details are included in note 5C to the financial statements.

In December 2013 the Company resolved to admit its shares to trading on the AIM market of the LSE. The process successfully completed on February 26, 2014 with the placing and issuance of further 54,971,291 new ordinary shares at a price of 63c. The net from costs proceeds amounted to €30 million.

Post balance sheet date the Group has completed the acquisition of debt of 11 commercial properties. Following this acquisition the Group regained control over those properties and will consolidate them starting H2 2014. Further details on this acquisition please see note 23 to the financial statements.

The Group's property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all of its obligations. The coming expiry of the legacy swaps is expected to positively affect further the cash flow and provide headroom in respect of the

Group's liquidity.
Management constantly reviews the covenants ahead and based on management assumption the Group expects to comply with all of its covenants in the near and medium future.

The Directors and the management monitor the Group's position in light of the market indicators, on an ongoing basis. The Directors believe the Group benefits from solid ground to continue its activity to enhance value.

After careful consideration of all of the above factors, the Board has concluded that it is appropriate to prepare the consolidated financial statements on the going concern basis.

Litigation

The Company is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

Board of directors

The Board currently comprises five members, three of whom are independent and non-executive Directors. On February 14, 2014 Chris Trudgeon resigned from the Board of directors. We would like to thank him for his great contribution and commitment to Summit.

On February 14, 2014 several appointments were made. Harry Hyman was appointed as chairman to lead Summit as a publicly traded Company and Quentin Spicer joined the Board as a non-executive director. Following the revision of the management agreement at admission, Zohar Levy was appointed as Managing Director and Sharon Marckado Erez as Finance Director.

For further information on Board composition as well as board responsibilities please see the Chairman's governance report.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group’s website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company’s auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 249 of The Companies (Guernsey) Law, 2008.

Auditor

Deloitte LLP has expressed its willingness to continue to act as Auditor to the Company and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf on 28 April 2014.

Zohar Levy	Harry Hyman
Managing Director	Chairman

Chairman’s Governance Report

Upon admission, after the balance sheet date, the Board has resolved to comply with the Quoted Companies Alliance ("QCA") Corporate Governance Code (the Code). The Board believes that a strong system of governance is essential to help the business run smoothly and aid effective decision making in order to support the achievement of the Group’s objectives.

It is the Board’s view that the Group has been fully compliant since admission with the relevant provisions of the Code.

Further information on the Code can be found on the Group's website at www.SummitGermany.com

The board of directors also established processes and procedures to support its governance –among these, the AIM rules compliance policy, an accounting procedures manual and financial closing and reporting policies

Principal Risks and Uncertainties

The Board acknowledges that a sound system of internal control depends on a thorough and regular evaluation of the nature and extent of the risks to which the Group is exposed. The management is experienced in risk evaluation and, in conjunction with the wider Executive, risks are considered on a regular basis, typically daily by the management team and more formally at Board meetings. The management team reports the Board the risk matrix highlighting the significant changes their implications, and the recommended responses.

The evaluation helps manage and control risks rather than eliminate them. Note 20 provides further detail and quantitative information on the risks faced by the Group.

Please see below the Audit committee report for further details on the audit committee processes to identify and address risks in the Group.

The key risks the Group is exposed to, the measures taken to mitigate them and additional commentary is as follows:

Financial risks:

Risk: **Exposure to interest rate movement**

Impact: Movement in underlying interest rates could adversely affect the Group's profits and cash flows

Mitigation: The Group mitigates its exposure to interest rate movements on floating rate facilities through the use of interest rate swaps and other derivative instruments.

Risk: **Limited credit market capacity**

Impact: without confirmed debt facilities the Group may be unable to meet its commitment to repay or refinance loans.

Mitigation: The Group regularly monitors its cash flow and debt funding requirements in order to ensure that it can meet its liabilities and looks to retain a spread of providers and maturities so that its refinance risk is less concentrated. The Group secured €305 million of refinanced debt facilities in 2013 for 5 year period.

Risk: **Lack of capital resources to support the Group's plans for expansion**

Impact: Without sufficient capital, the Group may become unable to progress investment opportunities as they arise or to counteract the impact of potential falling property values on the Group's balance sheet and finance commitments should property values fall in the future.

Mitigation: Liquidity and gearing are kept under review by the management and the Board. Forward funding commitments are only entered into if supported by committed, available funds. The Company undertook a share placing in February 2014, raising an amount of €30 million net of costs.

Risk: **Banking facilities include various covenant requirements**

Impact: A failure to meet the facilities covenants could result in possible default or penalties being levied.

Mitigation: In response to this risk the Group regularly monitors its compliance with covenants and addresses any issue that may arise. One of the measures taken is seeking to maintain headroom within its debt facility covenants by maintaining its borrowings at levels below its maximum covenant requirements and retains the flexibility of substituting security or refinancing loans should it need to. Covenants are set on a facility by facility basis.

Property market risks

Risk **The Group's investment portfolio is concentrated in a single country**

Impact: Changes in the German economic environment expose the Group to several risks including loss of rental income and increased vacant property costs due to dramatic decrease in demands or devaluation of the portfolio.

Mitigation: The Board believes these risks are reduced due to the proven relationship the Group has with the tenants which enables it to recognize tenants in difficulties, as well as to anticipate units becoming vacant and to respond immediately. This risk is also reduced due to the diversified tenancy and diversified use in our portfolio. The measures taken against the exposure of tenants default include among others rent deposits or bank guarantees as well as periodically credit analysis when necessary.

Risk **Property valuations may fall**

Impact: Property valuations may fall to such a level that leads the group to breach its borrowing covenants.

Mitigation: To mitigate this risk the Group insisted on having a period of holiday from loan to value covenant when entering the refinancing agreements during 2013. The Group also manages its activities so as to always operate within its banking covenant limits and constantly monitors the margins (i.e. fall to breach) that would have to be experienced in order to cause any default.

Taxation risks:

Risk: **Changes in government legislation**

Impact: Changes in the government legislation in the jurisdictions the Group is active in may negatively affect the Group which can become chargeable to taxation with a significant impact on performance and strategy.

Mitigation: The Group monitors any proposals for change in legislation and in regular contact with its tax advisors in this respect in order to be able to respond to any changes in the most efficient way.

The Board

The Board is responsible to shareholders for promoting the long term success of the Group and, in particular, for setting the Group's strategic aims, monitoring management's performance against the strategic aims, setting the Group's risk appetite, ensuring the Group is adequately resourced and ensuring that effective controls are in place in the business. The Board also sets the values and the culture of the Group and has a duty to protect the interests of shareholders.

The specific duties of the Board are clearly set out in its terms of reference which address a wide range of corporate governance issues and lists those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy and business plans;
- Financial reporting and controls, capital structure and dividend policy;
- Group risk appetite and framework;
- Corporate governance;
- Remuneration policy;
- Significant transactions and expenditure; and
- Other matters

Further information on the Matters Reserved for the Board can be found on the Group's website at www.SummitGermany.com

Board composition

At admission Chris Trudgeon resigned from the Board of directors. We would like to thank him for his contribution and commitment to Summit.

Currently the Board comprises two executive directors (Group Managing Director and the Group Finance Director) and three non-executive directors including the Chairman, whom management considers to be independent. The selection of Board members was done with comprehensive thinking to create synergy by including experienced persons with different strengths.
The executive directors both have extensive experience in the German real estate market; they have been involved with the Group activity for many years now and have a wide range of contacts in the market.

The non-executive directors have extensive experience in many other companies and committees and they can contribute this experience to the Board, setting guidelines to improve reporting and communication.

The training needs of each Director are regularly reviewed by the Chairman. Directors are able to receive training or additional information on any specific subject pertinent to their role as a Director that they request or require.

All Directors have access to independent professional advice at the Company's expense, if deemed necessary and subject to clearance by the Chairman.

The Group maintains appropriate insurance cover in respect of any potential legal action against the Company's Directors.

Details of the Directors are set out below:

Harry Abraham Hyman (57) - Independent Non-Executive Chairman

Harry Hyman has over twenty years' experience in fund management and investment in the healthcare and real estate sectors. In 1996 he founded Primary Health Properties PLC, a real estate investment trust listed on the London Stock Exchange with a property portfolio of over £940 million in the primary healthcare sector, and remains a Managing Director to date. From 2008 to 2010, Harry was the Chairman of the Israel-Britain Business Council, a private sector driven body of approximately 60 business leaders in Israel and the UK who serve as high level trade and investment ambassadors for their respective countries. Prior to founding Primary Health Properties PLC, Harry was Finance Director of Baltic from 1983 to 1994 and has been a non-executive director of a number of investment companies, including Royal London UK Income & Equity Trust PLC. Harry graduated from Christ's College, Cambridge in 1978 with a double first in Geography. He trained at Price Waterhouse as a Trainee Accountant from 1979 to 1983 before qualifying as a Chartered Accountant. He currently holds professional memberships with the Association of Corporate Treasurers, the Corporate Finance Faculty, and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Zohar Levy (46) Executive Director - Managing Director

Zohar Levy, a CPA, is the controlling shareholder and chairman of the board of the Summit Group, a group of companies which specialises in investing in office, industrial and commercial properties in Israel and Germany, and in developing, improving and managing such properties. Zohar Levy acquired control of the Summit Group in early 2003 and has since developed its business significantly through debt restructuring, the improvement of its properties by way of lease negotiations and renovations, and the acquisition of numerous office, commercial and industrial properties throughout Israel and Germany. Since Zohar Levy's acquisition of the control of Summit, the scope of its real estate properties has increased significantly, and its gross annual income has increased by more than 1,000 per cent. In addition, Summit's share price has almost tripled in the past twelve months. Prior to his involvement with Summit, Zohar Levy served for a decade as the Chief Financial Officer of the Engel group of real estate companies, which specialises in the development of residential properties and the acquisition and management of commercial properties in Europe and North America.

Sharon Marckado Erez (42) Executive Director - Finance Director

Sharon Marckado Erez, CPA, is the Finance Manager of the Company since its incorporation. Sharon joined Summit Group 7 years ago in which she established the group reporting, treasury procedures, internal control and supported all financing affairs of the growing activity of the Group. Until March 2006, she was the corporate controller of the Danone Springs of Eden Group in Switzerland for three years. Previously she was a senior audit manager at Ernst & Young for six years. Sharon graduated in Accounting and Business Management studies at the College for Management Academic Studies and achieved a CPA qualification in extraordinary excellence. She is currently a resident of Switzerland.

Quentin Spicer (69) - Independent Non-Executive Director

Quentin Spicer is resident in Guernsey. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970 and became head of the Property Department. He moved to Guernsey in 1996 to become senior partner in Wedlake Bell Guernsey specialising in United Kingdom property transactions and secured lending for UK and non-UK tax resident entities. He is Chairman of a number of Companies including F&C UK Real Estate Investments Limited, Quintain Guernsey Limited and the Guernsey Housing Association LBG. He is also a non-executive director of several other property funds including Phoenix Spree Deutschland Limited. He was formerly a director of the Company when it was admitted to trading on AIM in 2006 until it was de-listed. He is a member of the Institute of Directors.

Timothy Gordon Parkes (48) - Independent Non-Executive Director

Tim Parkes has over 25 years' experience in financial services with 15 years' experience in offshore and international markets. Tim Parkes is currently director of strategy and business development at Carey Group and has held positions in a number of fund management, property and private equity companies in the past including a German Property fund, Landericus Limited, a Middle Eastern Infrastructure Fund and a major London commercial property redevelopment. With a career spanning seventeen years at Barclays, from August 2002 to March 2007, Tim Parkes was the managing director of a major offshore and international banking business at Barclays Wealth. Tim Parkes graduated from St Paul's and St Mary's College in 1986 with a BSc (Hons) in Geography and Geology. Tim subsequently achieved a Diploma in Marketing from the Chartered Institute of Marketing in 1988, and a Diploma in Company Direction from the Institute of Directors in 2010. Tim Parkes is a Member of the Institute of Directors.

For the Non Executives terms of appointment please see the Group website at www.summitgermany.com

Board independence

The appointment of the non-executive directors was subject to a particularly rigorous review of their independence. The current Board composition of 3 non-executive directors out of which one is the chairman should effect the Board discussion and contribute to a resilient independent position.

Description of Roles

Role profiles are in place for the chairman and Managing Director which clearly set out the duties of each role. The chairman's priority is leadership of the Board and ensuring its effectiveness; the Managing Director's priority is the management of the Group. The Board has delegated the day-to-day running of the Group to the Managing Director within certain limits, above which matters must be escalated to the Board for consideration and approval.

The Finance Director reports on a range of issues including financial results and forecasts; capital; operational performance; strategic initiatives; risk appetite, corporate transactions and compliance with loan covenants.

The role of the independent directors is to provide a sounding Board for the chairman and to be available to shareholders should they have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Meetings and Attendance

In addition to the Board meetings held during the year, the Board is regularly in touch for consultation by electronic means and met for an off-site strategy meeting and for the AGM. Directors were sometimes unable to attend meetings due to unavoidable business interests, but full Board packs are distributed to all Board members for all meetings and separate discussions were held with, or comments were sought by, the Chairman on all matters of relevance.

There are opportunities throughout the year for the Chairman and Independent Directors to discuss matters without the other Directors being present.

Director	Board Meetings (Total in year 10)
Zohar Levy	8
Tim Parkes	10
Chris Trudgeon	10

Board Committees

The following Committees have been established by the Board upon admission in February 2014, and have been granted specific delegated authority to consider certain aspects of the Group's affairs:

- Audit Committee
- Remuneration and Nomination Committee

The Chairmen of the Committees report back to the Board as and when appropriate. Reports from each committee chairman are included below.

Terms of reference for each committee are available on the Group's website at www.summitgermany.com

Audit Committee Report

The Audit Committee is chaired by Harry Hyman. He is supported by Quentin Spicer and Tim Parkes both independent non-executive directors.

Harry Hyman is a chartered accountant and, as can be seen from his biography above, he possesses the recent and relevant commercial knowledge and experience to satisfy the provisions of the Code. The committee may invite the Managing Director and the Finance Director to attend the meetings as appropriate.

Responsibilities

The Committee has responsibility for safeguarding the shareholders' investment and the Group's value. It has overall responsibility for ensuring that the Group maintains an ongoing system of internal control and risk management, to provide it with reasonable assurance regarding effective and efficient operation, internal financial control and compliance with laws and regulations.

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgments which they contain having regard to the matter communicated to it by the auditor. The committee should perform any procedure it find necessary.

The committee would be making recommendations to the Board on the appointment and dismissal of the external auditor and approving their remuneration and terms of engagement; it would also monitor and review the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements;

Report on the committee's activities

The committee was appointed after the balance sheet date in February 2014. Since than its activity included:

- reviewing the Group's draft annual financial statements 2013 prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;
- reviewing the auditors' plan for the audit of the Group's 2013 financial statements;
- considering the qualifications, expertise, resources and independence of the auditors through reviews of their reports and performance;
- the committee chairman meeting with the auditors to review the audit plans and progress, accounting processes and to discuss emerging points and early drafts of the financial reports; and
- the committee receiving presentations from the management on the subject of risk, its identification and property portfolio management.

The audit committee has reviewed the contents of 2013 annual report and accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Effectiveness of the external auditor

The effectiveness of the audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee received from Deloitte LLP a detailed audit plan, identifying their assessment of these key risks. For 2013, the primary risks identified were in relation to the valuation of the property portfolio, financing and valuation of financial instruments and going concern. The Board and the management take responsibility for exercising judgment when necessary in preparing the Annual Report and Financial Statements.

They prepare and review papers provided to the Auditors setting our judgments and approaches taken to specific items. The work undertaken by the auditors in this area to test management's assumptions and estimates is challenged by the audit committee who assess the effectiveness of the audit process through the reporting received from Deloitte LLP at both half-year and year end.

In addition, the audit committee seeks feedback from the management on the effectiveness of the audit process. The Committee is satisfied with the effectiveness of the Auditors.

Significant accounting matters

The Committee considers all financial information published in the Annual and Interim Financial Statements and considers accounting policies adopted by the Group, presentation and disclosure of financial information and, in particular, the key judgments made in preparing the Financial Statements.

Valuation of the property portfolio

The Group has property assets of €501 million as detailed on the Group Balance Sheet. As explained in note 5B to the financial statements, properties are independently valued by external expert in accordance with IAS40: Investment Property. The audit committee reviewed and discussed with management the judgments and assumptions made in respect of the property valuation, reviewed the valuer's report, and concluded that the valuation remains appropriate.

Financing and valuation of financial instruments

The Group undertook a number of financing transactions during the year. In February 2013, €401 million of facilities with RBS were refinanced and prolonged by 5 years. The underlying interest rate swaps remain in place and no breakage costs were incurred. Further €24 million facility which financed Ramhof-Frankfurt property was refinanced with a new €23.5 million facility with DG HYP. Post balance sheet, the Group raised €30 million net of issue costs following an equity issue.

These transactions served to diversify the Group's funding sources leading to reduced overall risk.

The Group hedges its exposure to interest rate risks swaps using financial instruments. The Group accounts for these instruments in accordance with IAS39 and makes the additional required disclosures under IFRS 7 'Financial Instruments: Disclosures'. The valuation of the financial instruments is undertaken by J C Rathbone ("JCRA"), an independent specialist in this area.

The committee has considered and complied with the requirements of IFRS13, concerning the measurement of credit risk in the valuation of financial instruments. The committee received detailed verbal and written reporting from JCRA and accordingly is satisfied that the accounting guidelines have been applied appropriately.

The main key accounting issue was to determine the effectiveness of the legacy derivatives following the acquisition of the b Note and the prolongation of the facilities in 5 years. The committee received detailed verbal and written reporting from JCRA and accordingly is satisfied that the accounting guidelines have been applied appropriately.

Internal control

The Audit Committee is responsible for the Group's system of internal control, which has been in operation to the date of this Report, and for reviewing its effectiveness. It believes that the key risks facing the business have been identified and it has implemented an ongoing system to identify, evaluate and manage these risks that is based upon, and relevant to, the Group's business.

The Committee believes key features of the system of internal control include a comprehensive system of financial reporting and business planning, formal documentation procedures and the close involvement of the Managing Director and the Finance Director in all aspects of the day-to- day operations. The scope and quality of the systems of internal controls are monitored and reviewed and regular monitoring reports are provided to the Board. Any incidences of significant control failings or weaknesses that have been identified and the extent to which they have impacted on the Group are reported to the Board and the Board ensure that the management take the necessary actions to remedy those failings or weaknesses immediately.

Nevertheless, the Committee believes that, although robust, the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives. Therefore the system can provide only reasonable and not absolute assurance against material misstatement or loss.

In preparing the periodic financial reports of the Group, the Committee is reliant on the policies and procedures followed by the Management to ensure that the records accurately reflect transactions so as to facilitate the production of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and other applicable reporting standards. In addition, the integrity of the financial reporting and consolidation processes and the completeness and accuracy of financial information are subject to review by the Audit Committee and the Board.

Internal audit

The Audit Committee considers annually the requirement for an internal audit function. The focused nature of the Group's business, its size and simple structure together with the regular review of the processes and performance of the Joint Advisers has led the Committee to recommend to the Board that, at the present time, there is no current requirement for an internal audit function.

Remuneration and Nomination Committee report

The Remuneration Committee meets at least once per year and comprises two Independent Directors being Quentin Spicer (Chairman) and Tim Parkes, and one executive director, Zohar Levy (Managing Director).

Its role is to seek and retain the appropriate caliber of people on the Board and recommend fee levels to the Board consistent with prevailing market conditions, peer group companies and Directors' roles and responsibilities.

The Remuneration and nomination committee is responsible to determine and agree with the Board the framework or broad policy for the remuneration of the executive directors, the company secretary, and such others, and to provide recommendations to the board.

In carrying its duties the committee considers the likely consequences of any decision in the long term; the interests of the Group's employees; the need to foster the Group's business relationships with suppliers, advisors and others; the impact of the Group's operations on the community and the environment; the desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between the members of the Group.

The Committee chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Report on the Committee's activities

The Committee was appointed in February 2014, since then the committee discharged its responsibilities, under its terms of reference, by:

• reviewing the amended property management agreement, in particular the bonus mechanism for 2014. Following discussions, the Committee recommended the Board to approve the amendment; and
• establishing an appropriate process for the review, management and monitoring of the Group's remuneration policies and nomination criteria.

Board performance and evaluation

The Chairman is responsible for ensuring the annual evaluation of the Board's performance and that of its Committees and individual Directors. This should be done by discussions based on the process and questions outlined in the Code concerning Board and Committee performance and meetings.

As the current board and committees were appointed in February 2014, an evaluation of their performance will be conducted in 2015.

Board and management remuneration

During the reporting period the Group expensed the following as director's fee:

	(in thousands €)
Zohar Levy	*
Tim Parkes	15
Chris Trudgeon	15

(*) Zohar Levy as an executive director is not entitled to director fee, however according to the portfolio management agreement SMC, a company controlled by Mr. Levy, is entitles to management fee in amount of €2,519 thousands for 2013.

Upon admission on February 2014, the Group has agreed on amendment to the management agreement. Details are provided in Note 15 to the financial statement.

On Admission the Group has established the Long Term Incentive Plan ("LTIP"), under which awards and options over Ordinary Shares may be granted to selected employees of the Group (including directors employed by the Group). The LTIP will be used to recruit, retain and motivate key personnel. The Company adopted a plan on similar terms for the purposes of granting awards and options over Ordinary Shares to directors of the Group who are not also employed by the Group, and consultants providing services to the Group.

Awards and options granted under the LTIP will vest subject to continued employment within the Group over a specified period and, in certain cases, the achievement of performance conditions.
The intention is that all awards and options granted within the 18 month period following Admission will have a vesting period of three years, and any shares acquired must be retained until the second anniversary of the vesting date (provided that participants will be permitted to sell sufficient shares to fund any tax and social security liabilities arising on vesting or exercise and, in the case of options, any exercise price).
As at the date of this report, no awards or options have been granted under the LTIP or the equivalent plan for non-employee directors and consultants.

Corporate Social Responsibilities

The company management and its board of directors acknowledge the importance of company's impact on society. In this scope, corporate responsibility is considered in the three main areas – transparency, environmental responsibility and responsibility co community.

The shared beliefs of the Group are:
Businesses should support and respect the protection of human rights and ensure that a business is not complicit in human rights abuses – the Group business practices promote equal opportunity for all, providing fair wages and employment terms, and fostering an open dialogue with all of our employees.

Businesses should eliminate all forms of forced and compulsory labor - we are against any and all forms of child labor and compulsory labor, encourage decent employment opportunities and support employees rights at work.

We believe that our businesses should support a precautionary approach to environmental challenges - we encourage the development and diffusion of environmentally friendly technologies

The responsibility statement has been prepared in connection with the Group's full Annual Report for the year ended 31 December 2013. Certain parts of the Annual Report are not included in this announcement, as described in note 1.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Chairman's and the Managing Director's report as well as the Chairman Governance report and Directors report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board
Harry Hyman,
Chairman,
28 April 2014

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUMMIT GERMANY LIMITED

We have audited the consolidated financial statements of Summit Germany Limited for the year ended 31 December 2013 which comprise the consolidated statements of financial position, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statement of cash flows, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
28 April 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31	Note	2013	2012
		Euro (in thousands)	
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment		124	147
Investment properties	5	501,154	515,205
Intangible assets	6	12	48
Other long-term financial assets	8	9,918	4,215
Financial instruments assets	20	407	-
Deferred tax asset	19	690	857
Total non-current assets		512,305	520,472
CURRENT ASSETS:			
Trade receivables	10	1,777	1,971
Prepaid expenses and other current assets	11	9,060	8,616
Receivables from related parties	15	271	19,196
Investment in marketable securities at fair value through profit or loss	20	9,345	41,552
Cash and cash equivalents	12	24,192	41,573
Total current assets		44,645	112,908
Total assets		556,950	633,380

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31	Note	2013	2012
		Euro (in thousands)	
EQUITY AND LIABILITIES			
EQUITY:	13		
Share capital		(*) -	(*) -
Distributable reserve		270,569	292,007
Reserves due to transactions with principal shareholder		2,216	2,216
Net unrealized gain reserve		(3,768)	(23,220)
Retained losses		(116,249)	(138,456)
Equity attributable to the owners of the Company		152,768	132,547
Non-controlling interests		7,363	2,130
Total equity		160,131	134,677
NON-CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	9	307,199	344,396
Shareholders' loans	9	41,920	-
Other long-term financial liabilities	8	2,226	2,304
Financial instrument derivatives	20	-	24,475
Deferred tax liability	19	3,396	2,019
Total non-current liabilities		354,741	373,194
CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	9	6,260	102,695
Financial instrument derivatives	9,20	12,316	3,362
Payables to related parties	15	225	38
Current tax liabilities		4,609	6,742
Trade and other payables	16	18,668	12,672
Total current liabilities		42,078	125,509
Total liabilities		396,819	498,703
Total equity and liabilities		556,950	633,380
NAV/Share	13	0.64	0.48
EPRA NAV/Share	13	0.70	0.58

(*) No par value.

The accompanying notes are an integral part of the consolidated financial statements.

28 April , 2014		
Date of approval of the financial statements	Zohar Levy Managing Director	Sharon Marckado Erez Finance Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Year ended December 31	Note	2013	2012
		Euro (in thousands)	
Rental income		39,523	63,256
Operating expenses		(2,674)	(3,729)
Gross profit		36,849	59,527
General and administrative expenses	*17*	(4,658)	(10,055)
Fair value adjustments of investment properties	*5*	(5,058)	(51,651)
Other income (expenses)		(1,155)	3,813
Operating profit		25,978	1,634
Financial income	*18*	35,928	116
Financial expenses	*18*	(38,016)	(39,790)
Total financial expenses		(2,088)	(39,674)
Profit (Loss) before taxes on income		23,890	(38,040)
Income (expenses) tax	*19*	(65)	920
Profit (Loss) for the year		**23,825**	**(37,120)**
Other comprehensive income and expenses:			
Items that may be reclassified subsequently to profit or loss:			
Net loss arising on revaluation of available-for-sale financial assets during the year		(290)	(155)
Reclassified to profit and loss of ineffective hedging reserve, net		23,681	-
Net gain (loss) on hedging instruments entered into for cash flow hedges		(227)	12,488
Reclassification adjustment for fixed interest hedge amount recognized in profit or loss on deconsolidation	*22*	-	7,080
Other comprehensive income for the year, net of tax		23,164	19,413
Total comprehensive income (expenses) for the year		**46,989**	**(17,707)**
Profit (Loss) attributable to:			
Owners of the Company		22,207	(38,196)
Non-controlling interests		1,618	1,076
		23,825	(37,120)
Total comprehensive income (expenses) attributable to:			
Owners of the Company		41,659	(19,406)
Non-controlling interests		5,330	1,699
		46,989	(17,707)
Earnings (loss) Per Share:			
Basic (Euro per share)	*14*	0.081	(0.139)
Diluted (Euro per share)		0.081	(0.139)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital (Note 13)	Share premium (Note 13)	Distribution Reserve (Note 13)	Reserves due to transactions with principal shareholder	Net unrealized gain reserve	Retained Earnings (Deficit)	Total equity attributable to owners of the parent Company	Non-Controlling interests	Total equity
	Euro in thousands								
Balance at January 1, 2012	**(*)-**	**-**	**292,007**	**2,216**	**(42,010)**	**(100,260)**	**151,953**	**431**	**152,384**
Loss for the year	-	-	-	-	-	(38,196)	(38,196)	1,076	(37,120)
Other comprehensive profit (loss) for the year, net of income tax **(**)**	-	-	-	-	18,790	-	18,790	623	19,413
Total comprehensive profit (loss)	-	-	-	-	18,790	(38,196)	(19,406)	1,699	(17,707)
Balance at December 31, 2012	**(*) -**	**-**	**292,007**	**2,216**	**(23,220)**	**(138,456)**	**132,547**	**2,130**	**134,677**
Profit for the year	-	-	-	-	-	22,207	22,207	1,618	23,825
Other comprehensive profit for the year, net of income tax **(**)**	-	-	-	-	19,452	-	19,452	3,712	23,164
Total comprehensive profit (loss)	-	-	-	-	19,452	22,207	41,659	5,330	46,989
Buyback, see Note 13	-	-	(21,438)	-	-	-	(21,438)	-	(21,438)
Other	-	-	-	-	-	-	-	(97)	(97)
Balance at December 31, 2013	**(*) -**	**-**	**270,569**	**2,216**	**(3,768)**	**(116,249)**	**152,768**	**7,363**	**160,131**

(*) No par value.
(**) Other comprehensive profit results from the ineffectiveness of certain derivatives for more information see note 18.

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Year ended December 31	2013	2012
	Euro (in thousands)	
Cash flows from operating activities:		
Profit (loss) for the year	23,825	(37,120)
Adjustments for:		
Deferred taxes	39	197
Sale of subsidiaries	-	(2,431)
Financial expenses, net	1,593	39,674
Fair value adjustment of investment properties	5,058	51,651
Gain from disposal of property	(430)	(1,260)
Loss from available for sale financial assets	495	921
Depreciation of property, plant and equipment	64	73
Amortization and impairment of intangible assets	316	(69)
	7,135	88,756
Changes in operating assets and liabilities:		
Decrease in trade receivables	196	455
Increase in trade and other payables	408	1,919
Increase (decrease) in payables to related parties and shareholders	(253)	93
Increase in prepaid expenses and other current assets	(7,221)	(1,949)
Increase (decrease) in other non-current liabilities	(11)	102
	(6,881)	620
Net cash flows provided by operating activities	24,079	52,256
Cash flows from investing activities:		
Payments for property, plant and equipment	(41)	(14)
Payments for intangible assets	(5)	(12)
Proceeds from sale of Marketable securities	35,520	13,829
Change in deposits	(566)	1,177
Increase in loan to third party	(4,607)	-
Payments for investment properties	(2,532)	(1,982)
Proceeds from sale of investment property	11,955	4,100
Interest income received	61	116
Increase from sale of financial instruments	-	37
Increase in balance with related party	-	(391)
Net cash out flow from disposal of subsidiaries (appendix A)	-	(639)
Net cash flows provided by investing activities	39,785	16,221
Cash flows from financing activities:		
Proceeds from borrowings from banks	281,173	17,500
Net proceeds from borrowings from related parties	42,523	-
Repayment of borrowings	(383,035)	(30,337)
Interest expense paid	(21,564)	(37,811)
Increase of other long term assets	-	(316)
Cost of raising loans paid	(342)	-
Net cash flows used in financing activities	(81,245)	(50,964)
(Decrease)/increase in cash and cash equivalents	(17,381)	17,513
Cash and cash equivalents at beginning of the year	41,573	24,060
Cash and cash equivalents at end of the year	24,192	41,573

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont.)

APPENDIX A:

Disposal of subsidiaries	Year ended December 31, 2013	2012
	Euro in thousands	
Working capital	-	(364)
Investment properties	-	241,474
Interest bearing loans and borrowings	-	(244,134)
Other long term financial liabilities	-	(7,126)
Reclassification adjustment for fixed interest hedge amount recognised in profit or less	-	7,080
Gain from disposal of subsidiaries	-	2,431
Net cash outflow from disposal of subsidiaries	-	(639)

(*) Non cash share buyback was executed by the Company as disclosed in note 13

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: GENERAL

A. Summit Germany Limited (the "Company") and its subsidiaries (together: the "Group") is a German property specialist fund. The Company was incorporated and registered in Guernsey on April 19, 2006. The parent company of the Group is Summit Real Estate Holdings Ltd (hereinafter: "SHL"), a company registered in Israel.

The Company owns, enhances and operates commercial real estate assets in Germany including office buildings, logistic centers and others, which are leased to numerous commercial and industrial tenants. The Group invests primarily in such properties that provide substantial income flows and potential for value increase through asset management. The Group does not acquire properties for speculative purposes.

In December 2013 the Company resolved to admit its shares to trading on the Alternative Investment Market of the London Stock exchange ("LSE"). The process successfully completed on February 26, 2014 when the placing took place and a further 54,971,291 new ordinary shares were issued at a price of 63c. The proceeds, net of costs, amounted to €30 million.

The Company was a closed ended authorised investment scheme registered under The Protection of Investors Law (Bailiwick of Guernsey) 1987. In December 2013, the Company and its shareholders approved to apply to the Guernsey Financial Services Commission (the "GFSC") for consent to deregister as a closed ended authorised investment scheme under The Protection of Investors Law (Bailiwick of Guernsey) 1987. This request was approved by the GFSC on January 21, 2014.

B. Financial Position and major refinancing arrangements made during the reporting period

During 2013 the Group finalized several refinancing arrangements.
As at December 31, 2013, the Group's bank borrowings amounted to €313 million (excluding value of derivatives transactions) (in 2012: €447 million), of which €6 million (in 2012: €103 million) were classified in current liabilities due to the fact that their payment date was during 2013. The decrease in the bank borrowings from December 31, 2012 to the reporting date resulted mainly from the transaction described below.

On February 27, 2013 the Company and Royal Bank of Scotland ("RBS") completed a re-financing of non-recourse debt of €401 million at that date (and which included € 95 million that was due to be repaid during 2013) that financed 3 asset portfolios. (the "RBS Facilities")
As part of the transaction with RBS, the Company acquired through a subsidiary ("Gallia") a portion of RBS bank loan in the amount of €120 million ("B-NOTE" or "Junior Tranche") for a consideration of €90 million. Therefore the Group has recorded a profit of approximately €30 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: GENERAL (Cont.)

B. Financial Position and major refinancing arrangements made during the reporting period (Cont.)

The Company financed this acquisition partly by its own funds and partly by a loan received from SHL in the amount of € 46.5 million (the: “Shareholder Loan”).

For further details on the terms of refinancing and terms of Shareholders Loan as well as securities granted please see note 9(A).

The interest rate swaps on these facilities (the “Old Swaps”) became ineffective after the refinancing transaction described above and their remaining amounts mature in 2014 and 2015. The hedging reserve related to the old swaps (€23 million) was recognized in profit and loss (financial expenses) from the date of the refinancing transaction date in February 2013 (see also note 9).

In November 2013, the Company refinanced a loan of €24 million which was due in January 2014, to be payable in 2018 (see note 9B) – which has further strengthened the working capital.

During the reporting period the Group has disposed 3 properties at a 15.5% premium to their latest valuation, with proceeds of €12 million and a profit of €1.6 million. Further details are included in note 5C.

In December 2013 the company has resolved to admit its shares for trading on the AIM market of the London Stock exchange ("LSE"). See note 13e.

Post balance sheet date the Group has completed the acquisition of debt of 11 commercial properties. See note 24B.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern
Given the significant events which occurred during the reporting period and subsequent up to the date of this report (as described in note 1B above), the position of the Group substantially strengthened, and major liquidity exposure which existed in the past were mitigated.
The Group’s property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all of its obligations. In addition the expiry of the legacy swaps in the second half of 2014 is expected to positively affect further the cash flow and provide headroom in respect of the Group's liquidity. Management reviews constantly the covenants ahead, and their sensitivity (including SHL loan covenants) and based on management assumption the Group expects all covenants to be in compliance in the near and medium future.

The Directors and the Management monitor the Group's position in light of the market indicators, on an ongoing basis. The Directors believe the Group benefits from solid ground to continue its activity to enhance value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Basis of preparation

After careful consideration of all of the above factors, the Board has concluded that it is appropriate to prepare the Consolidated Financial Statements on the going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, expect for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Reportable segments – The Group operates in one segment, being commercial real estate in Germany. Therefore, no further segments information is presented.

Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and The Companies (Guernsey) Law, 2008.

Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (and its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Basis of consolidation: (cont.)

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.

The results of subsidiaries are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group balances and transactions are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's ownership interests in existing subsidiaries:

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received 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 revalued 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 Group 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 IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations and goodwill:

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Business combinations and goodwill (cont):

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquirer's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held equity interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and similar allowances. The following specific recognition criteria must also be met before revenue is recognised:

<u>Interest income</u>:

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue 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 initial recognition.
Interest income is presented in finance revenue in the statement of comprehensive income.

<u>Rental income</u>:

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

Foreign currencies:

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of all group entities is Euro. For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Euros, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Foreign currencies: (cont.)

In preparing the financial statements of the individual entities, 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 are recognised in profit or loss in the period in which they arise.

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

Current Taxes:

The Company is subject to taxation under the laws of Guernsey. The Company qualifies for exempt status, which results in no Guernsey taxation on income it receives, including interest and dividends received, or capital gains from the disposal of investments. Exempt status is achieved by application. Application is made to the Director of Income Tax in Guernsey for confirmation that the Company is eligible for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. The exemption must be reapplied on an annual basis. The subsidiaries are subject to income taxes in their country of domicile in respect of their income. The ordinary corporate income tax rate in Germany as of December 31, 2013 is 15.825% (December 31, 2012: 15.825%).The majority of the Group subsidiaries are subject to German tax which will include RETT on property transactions, where applicable.

Deferred tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 utilise 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred tax: (cont.)

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.

Financial assets

Initial recognition:

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three other categories of financial assets (Fair Value through profit or loss, held to maturity or loans and receivables). After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of comprehensive income.

Financial Assets at Fair Value through Profit or Loss ("FVTPL"):

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidate statement of comprehensive income. Fair value is determined in the manner described in note 20.

Derecognition of financial assets

The Group derecognises a financial asset 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 party. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derecognition of financial assets (cont.)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Initial recognition:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Subsequent measurement:

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is either an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 is recognised in profit or loss.

Fair value of financial instruments:

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

Amortised cost of financial instruments:

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

Impairment of financial assets:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Due from loans and receivables:

For amounts due from loans and receivables carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Due from loans and receivables (cont):

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments:

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.
In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income; increases in their fair value after impairment are recognised directly in equity.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement:

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate, and foreign currency exchange hedge of the shareholder loan. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair value on derivatives during the year that are qualified for hedge accounting are taken directly to equity.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement:
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.
Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:
- Fixtures and furniture - 3 to 23 years.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impairment of assets:

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Cash and short-term deposits:

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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

Trade and other receivables:

Trade receivables, which generally have 30-90 days' terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Provisions:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Group's accounting policies which are described in Note 2 above, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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.

Key sources of estimation uncertainty:

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

Revaluation of investment properties:

The Group carries its investment properties at fair value, with changes in fair values being recognised in the profit or loss. The Group engages independent valuation specialists to determine fair value of investment properties on an annual basis. The valuation technique used to determine fair value of investment properties is based on a discounted cash flow model as well as comparable market data.

The determined fair value of the investment properties is sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 5.

Taxation

Uncertainties might exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the Group's international business relationships and the nature of contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates (the outstanding provision for RETT as of 31 December 2013 is €4.1m, as of 31 December 2012 - €4.3m) which the Group still believes is payable. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. (See also Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont.)

Key sources of estimation uncertainty (cont.):

Changes in the Group's ownership interests in existing subsidiaries:

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries).
As the result of the events detailed in note 22, the Group management reached a conclusion that Group contractual ownership of certain entities does not meet the definition of "control" in accordance with IAS 27. Therefore these entities were deconsolidated starting from the date when control was lost.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Certain new interpretations and amendments or revisions to existing standards, which may be relevant to the Group, have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

New and revised IFRSs affecting amounts reported disclosers in the financial statements

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associated and Joints Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards was not material.

IFRS 13 Fair value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (Cont.)

IFRS 13 Fair value Measurement (cont.)

IFRS 13 defines fair value as the price that would be received to sell on asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 5 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of Other Comprehensive Income

The group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT.)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments (2)
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures (2)
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities (1)
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities (1)

(1) Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
(2) Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit of loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's financial liabilities in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT.)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

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 professional 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.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect of the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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 of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to IAS 32 will have a significant impact of the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

The Group is considering the impact of these standards on the Group's Financial Statements.

NOTE 5: INVESTMENT PROPERTIES

A. Changes in years 2012 and 2013

	Euro in thousands
Balance at January 1, 2012	809,188
Disposal during the year (C1)	(2,840)
Additions during the year	1,982
Fair value adjustments during the year	(51,651)
Exit from consolidation (see note 22)	(241,474)
Balance at December 31, 2012	515,205
Disposal during the year (C2, C3)	(11,525)
Additions during the year	2,532
Fair value adjustments during the year	(5,058)
Balance at December 31, 2013	501,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties in level 3

1. The fair value of investment property is determined at least once a year or when indications of value changes arise at the earliest, based on a valuation performed by independent reputable experts.

The valuation is performed using the income capitalization method, which is a valuation based model on the present value of expected Net Operating Income per property. Real estate valuations are based on the net annual cash flows after capitalisation on discounted rates that reflects the specific risks inherent in property activity.

The valuations reflect the profile of the tenants which are legally committed to the lease agreement and the remaining economic life of the asset. The market rents used in the valuation vary per location, uses and condition of the property, age and level of finishing of various assets, even in the same building. Average rent in respect of office space can range from €4-25 per month per square meter; for commercial properties, between €4.5-40 per month per square meter; for logistics properties between €2-25 per month per square meter. For office, commercial and logistics properties, discounted rates were ranging between 6.20 % -9.75%.

A number of factors contribute to the value of retail properties, such as national and local economic development, investment demand created by property investors, and interest rates.
While changes in investment properties' fair value have an effect on the Group's profit for the financial year, they do not have an immediate impact on cash flow.
The significant unobservable inputs used in the fair value measurement of the entity’s investment properties are rents achieved at market (when these increase, an increase in properties value may occur), discount rates (when these increase, a decrease in properties value may occur) and occupancy rates (when these increase, an increase in property values may occur). Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Sensitivity to change in the properties' fair value, or the risk associated with fair value, can be tested by altering the above key parameters. Furthermore, the effect of the change in each parameter is not necessarily similar – as such, changes in the rents and discount rates might have a more significant effect on the properties' value than similar change of the occupancy rates. In addition it is noted that changes in different parameters might occur simultaneously. For example a change in occupancy may connect to a change in market rents when they impact fair value simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties in level 3 (Cont.)

2. Supplemental information

Lettable area

	As December 31, 2013				As December 31, 2012			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Sqm				Sqm			
	302,561	262,873	81,461	646,895	302,561	262,873	85,642	651,076
Percent of total assets	47%	41%	12%	100%	47%	40%	13%	100%

Fair value – analysis by use

	As December 31, 2013				As December 31, 2012			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	310,775	112,433	77,946	501,154	302,071	115,741	97,388	515,200
Percent of total assets	62%	22%	16%	100%	59%	22%	19%	100%

NOI – analysis by use

	As December 31, 2013				As December 31, 2012			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	19,819	9,438	7,592	36,849	40,361	9,315	9,851	59,527
Percent of total assets	54%	26%	20%	100%	68%	16%	16%	100%

Adjustment to fair value – analysis by use

	As December 31, 2013				As December 31, 2012			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	6,792	(3,891)	(8,114)	(5,213)	(41,801)	(554)	(9,293)	(51,648)
Percent of total assets	(130%)	75%	155%	100%	81%	1%	18%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties in level 3 (Cont.)

2. Supplemental information (cont.)

Average rent

	Offices		Logistic		Retail	
	As December 31,					
	2013	2012	2013	2012	2013	2012
€/sqm/month	7.5	7.8	3.4	3.4	8.7	8.7
Range €	(3.5-20.9)	(3.6-18.6)	(2.2-15.7)	(2.4-15.7)	(3.5-25.7)	(4.9-29.4)

C. Disposals

1. On March 26, 2012 a Group subsidiary signed an agreement to sell real estate asset located in Cologne, for a total consideration of €4.1 million. The asset was partially vacant and in 2011, yielded a rent income of €221 thousands. The Group recognised a profit of €1.3 million that resulted from the sale.

2. In July, 2013 the Group sold a real estate property in Frankfurt, Germany, for approximately €10.6 million. The property of approximately 3,000 sqm was for commercial and office use, the rental income in 2012 was €560 thousand.

   In addition, the Group sold a non-yielding plot of unused land situated close to another Group property for about €430 thousand. The Group recorded profit in amount of €430 thousand (Included in other income in the profit and loss).

   Proceeds from selling these assets, based on the agreements, were €11 million, the assets carrying amounts were approximately €9.2 million.

   Both of these assets were included in a portfolio re- financed by RBS in February 2013 The total debt to the bank in respect of these assets was approximately €6.8 million.

   Under the agreement with the Bank, the amount of approximately €7.4million of proceeds from selling the mentioned assets was used for reducing the Company's total debts to RBS and its subsidiaries (see note 9A for further details on that re-financing agreement)

3. In November 2013 the Group sold a real estate property located in former East Germany, for €925 thousand.

   The property was sold for its carrying amount, the excess cash flow to the Group provided by this deal, after repayment of the allocated bank debt was €250 thousands. The property of approximately 950 sqm was for commercial use. The property was leased to a single tenant for a short period. The annual rental income from the lease of property above was approximately €98 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Disposals (cont.)

3. (cont.)

The property was included in a portfolio financed by the RBS (as detailed in note 9A).
The total debt to the Bank in respect of this asset was €540 thousand. Under the agreement with the bank, a total of €620 thousand from the sale proceeds was used to reduce the total debts of the Group to RBS.

NOTE 6: INTANGIBLE ASSETS

	IT Software (1)	Goodwill	Total
	Euro in thousands		
Cost:			
At 1 January 2012	1,937	6,315	8,252
Additions	12	-	12
At 31 December 2012	1,949	6,315	8,264
Additions	5	-	5
At 31 December 2013	1,954	6,315	8,269
Amortisation and impairment:			
At 1 January 2012	1,859	6,315	8,174
Amortisation and impairment	42	-	42
At 31 December 2012	1,901	6,315	8,216
Amortisation and impairment	41	-	41
At 31 December 2013	1,942	6,315	8,257
Net book value:			
At 31 December 2013	12	-	12
At 31 December 2012	48	-	48

(1) The software is amortized over 3-10 years.

NOTE 7: INVESTMENT IN SUBSIDIARIES

A. For list of subsidiaries see note 25.

B. For intercompany loans see note 9.

C. Significant limitations applicable to the Group

For limitation on the company see note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 8: OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	December 31,	
	2013	2012
	Euro in thousands	
Other long-term financial Assets:		
Deposits in escrow [(1)]	266	266
Available-for-sale investment – unquoted equity shares [(2)]	2,962	2,627
Long-term loans receivable [(3)]	5,432	963
Other financial assets	1,258	359
Total long term financial assets	9,918	4,215
Other financial liabilities:		
Other Financial liabilities	2,226	2,304

(1) Deposits in escrow:
The Group had made several deposits with a notary, in connection with certain acquisitions, until certain conditions subsequently are fulfilled. The deposits do not bear interest.

(2) Available-for-sale investment -unquoted equity shares:
Investments in Ordinary shares in related companies. Those companies were not accounted for using the equity method because of lack of significant influence (the Group has neither voting rights, nor representation in the management of these companies). The fair value of the investments as of the period end has been based on the market values of the companies' active investments in real estate.

(3) Long-term loans receivable
As at December 31, 2013, a subsidiary of the Group has an agreement to provide funding for three residential projects in Berlin up to a sum of €6.2 million (€1.7 million for the first project, € 1.9 million for the second and € 2.6 million for the third). The Group is entitled to a minimum interest rate of 15% plus a share in the projects' profits. The loans and accrued interest are repayable from the revenues of the projects, not later than May 2016.
Up to the reporting date, the Company provided to the entrepreneurs €4.9 million of the loan amount.
To secure the recoverability of these loans, the Company received a lien over the shares of the entrepreneurial companies and lien rights over the projects and their income. In addition, the loans are secured by personal guarantees of shareholders of the entrepreneurial companies and the developers have obliged not to grant a lien naming rights over the project, except a lien in favour of the financing bank, and not to allot any securities of entrepreneurial companies without the consent of the Company.
After the reporting date the Company agreed to subordinate the loan provided in favour of bank financing essential for the projects.
The projects are in different stages of development and one has just reported pre-selling 35% of its available units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9: INTEREST - BEARING LOANS AND BORROWING

Interest-bearing loans and borrowings (net of cost of raising loans):

	Effective interest rate	Maturity	31 December 2013	31 December 2012
	%		Euro in thousands	
Current:				
Current maturities of long term loans	(*) 1.95-6.62	2014	18,576	102,695
Non-current:				
Secured bank loans	(*) 1.95-6.62	2015-2019	307,199	344,396

(*) Includes the effects of related interest rate swap as discussed hereunder.

As at December 31, 2013, the Group's bank borrowings amounted to €313 million (2012: €447 million) (excluding value of derivative transactions), of which €6 million were classified in current liabilities due to the fact that their payment date was within one year period (2012: €95 million).

A. Major refinancing arrangements made during the reporting period

On February 27, 2013 the Company and Royal Bank of Scotland (“RBS”) completed a re-financing of non-recourse debt of €401 million at refinancing date (and which included € 95 million due to be repaid during 2013). This debt financed 3 asset portfolios that included 88 assets of the Group which fair value on December 31, 2012 was approximately €463 million (the: “RBS Facilities”).The assets include rental space of about 585 thousand square meters, and produce annual rental income of about €38 million.

As a part of the transaction with RBS, the Company acquired through a subsidiary (“Gallia”) a portion of RBS bank loan in the amount of €120 million (“B-NOTE” or “Junior Tranche”) for a consideration of €90 million. As a result, Gallia has become a creditor of the holding property subsidiaries (“property companies”) holding the Junior Tranche of €120 million and RBS holds the Senior Tranche of €281 million).

The Group financed this acquisition partly by its own funds and partly by a loan received from SHL in the amount of € 46.5 million (the: “Shareholder Loan”). To finance the Shareholder Loan, SHL issued bonds (the: “Bonds”) to the public with recourse. The terms of the Shareholders loans are back to back with the terms of the bonds. For further details on the shareholders loan terms, the securities provided and covenants please see A1 below.

The Group liability to RBS was reduced by €120 million for a consideration of €90 million therefore the Group has recorded a profit this period of approximately €30 million. The interest rate swaps on these facilities (the “Old Swaps”) became ineffective after the refinancing described above when their remaining notional mature in 2014 and 2015. The hedging reserve related to the old swaps (€23 million) was recognized in profit and loss (financial expenses). Starting from the refinancing date (February 2013), the revaluation gain of the old swaps has been recognized in profit and loss (€13 million financial income to December 2013).

New interest rate swaps were put in place to hedge against the floating interest of RBS loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9: INTEREST - BEARING LOANS AND BORROWING (Cont.)

A. Major refinancing arrangements made during the reporting period (Cont.)

In November 2013, the Company has refinanced a loan of €24 million which was due in 2014, to be payable on September 2018 (see note 9B) – which has strengthened further the working capital.

The Group's property portfolio continues to generate a positive cash flow that enables the Group to service the on-going interest and amortisation of these obligations.

The remaining outstanding costs of raising loans as of 31 December 2013 are €1,121 thousand (2012: €1,147 thousand). They are presented net of interest-bearing loans and borrowings. The costs of raising loans are amortised over the period of the loans. For the reporting period, the amortization amounts recorded were €1,048 thousand (2012: €969 thousand).

1) The terms and conditions of Shareholder loan and Bonds are described as follows:

The issued bonds are denominated in New Israeli Shekel (NIS) and bear an annual interest rate of 9.5%. Consequently, the Shareholder Loan received from SHL is denominated in NIS and bears interest of 9.5%, being back to back to the Bonds terms. The Group has acquired a currency hedging instrument to mitigate the cash flow currency exposure of this loan. The shareholder loan interest is paid twice a year, and semiannual principal payments of around 6%-8% in 2014 to 2018, with remaining principal payment in 2019 as back to back to the bonds repayments terms. The Group granted the following securities to the bonds holders to secure the payments:

a. Assignment of all the Junior Tranche's rights under the RBS Facilities, including its right to be paid interest and principal.

b. Assignment of all assets held, including cash, and all rights regarding the bank accounts held by Gallia and another special purpose subsidiary, Summit LoanCo Ltd ("LoanCo") which receive surplus rental income from the RBS facilities asset portfolio after repayment of the Senior Tranche under the RBS Facilities. The Debenture Trustee (of the Bond Holders) has signing rights over the bank accounts which receive surplus rental income from the RBS facilities portfolio after repayments under the RBS Facilities.
The designated cash in the amount of €689 thousand as of December 31, 2013 is presented as part of designated cash balance (see note 11)..

c. Bonds interest is paid from these accounts and upon meeting the conditions detailed below, the Debenture Trustee gives its consent to release any surplus funds to the Group:

- The Gallia and Loanco dedicated accounts are "Assigned Accounts". At all times the amounts deposited in the Assigned Accounts, together with a bank guarantee provided to the Debenture Holders (the amount of the guarantee as of December 31, 2013 is €4.9 million), shall not be less than 10% of the outstanding debt to the Bond Holders (€49 million as of December 31, 2013) ("Guaranteed Amount").

- In the event that:
  i. The amounts accumulated in the Assigned Accounts exceed the Guaranteed Amount and -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9: INTEREST - BEARING LOANS AND BORROWING (Cont.)

A. Major refinancing arrangements made during the reporting period (Cont.)

1) The terms and conditions of Shareholder loan and Bonds are described as follow: (Cont.)

c. (Cont.)

- In the event that (Cont.):

ii. The ratio of:

(a) The gross profits from the real estate properties in the Clara, Z3 and Z6 portfolios for the 6 months ending prior to the date of calculation (NOI), less principal and interest payments to RBS on account of the Clara, Z3 and Z6 credit facilities during same 6 month period; and

(b) The aggregate outstanding principal and interest due to the Bond Holders for the period of 6 months beginning on the date of calculation.

Is not less than 1.3, after the release of the requested funds, SHL may request the debenture trustee to release surplus amounts.

d. Pledges and assignment over shares and rights in Gallia and LoanCo (subsidiary companies), together with the right to all present and future dividends and distributions of any kind and any other sums received or receivable in respect of such shares.

e. An undertaking by SHL that, except in connection with a refinancing of such assets under terms agreed with RBS, the property companies owning the properties within the Group’s Z3, Z6 and Clara portfolios, will not grant any further pledges, enter into additional loans, incur new liabilities or grant any guarantees other than immaterial liabilities towards authorities, suppliers etc. in the ordinary course of business.

Further SHL undertook in favor of the Debenture Holders to meet certain covenants which are checked twice a year:

a) SHL’s equity capital, less minority rights, according to its consolidated financial reports, shall not be less than NIS 300 million (approximately €65 million).

b) The Debt Coverage Ratio is equal to or higher than 1.15. “Debt Cover Ratio” is defined as the ratio of (a) the gross profits from the real estate properties in the Clara, Z3 and Z6 portfolios for the 6 months ending prior to the date of calculation (NOI), plus the Guaranteed Amount, less principal and interest payments to RBS on account of the Clara, Z3 and Z6 credit facilities during same 6 month period; and (b) the aggregate outstanding principal and interest due to the Debenture Holders for the period of 6 months beginning on the date of calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9: INTEREST - BEARING LOANS AND BORROWING (Cont.)

A. Major refinancing arrangements made during the reporting period (Cont.)

1) The terms and conditions of Shareholder loan and Bonds are described as follow: (Cont.)

c) The ratio between the Calculated Equity Capital (as defined hereunder) and the total assets of SHL shall not be less than 15%. "Calculated Equity Capital" - the equity capital (including minority rights), plus the amount of obligations in connection to SWAP transactions made in connection with the RBS facilities, as appearing in SHL's financial reports.

In the event that conditions a), b) or c) are not met, the interest charged on the debentures (and consequently – the SHL loan) will increase by not more than 1% until the breach is cured. The increase of the interest will be done once for breach of each covenant above.

The debentures (and consequently – SHL loan) will be immediately payable if:

1. Condition a) is not met for two consecutive quarters

2. The debt coverage ratio is less than 1.05 for four consecutive quarters

3. The ratio between the Calculated Equity Capital and the total assets of SHL is less than 13% for two consecutive quarters.

4. The debentures and consequently the shareholders loan will be due to payment upon occurrence of other events, such as - the amount in the Assigned Accounts plus the Bank Guarantee is less than the Guaranteed Amount and breach not cured during two consecutive quarters, failure to comply with payments schedules, material deterioration of SHL's financial position such that raises significant concerns on its ability to comply with the debenture payment terms, significant deterioration of the Bonds rating, foreclosure/liquidation proceedings of SHL , Material change of business activity (i.e – if SHL is no longer engaged in real estate). To the date of this report, the Company and SHL comply with all the covenants described above.

In order to mitigate the uncertainty involved with the Covenants of the Debentures, Zohar Levy and Summit Holding Ltd. have committed to:

- Zohar Levy committed not to sell shares in SHL which would result in him losing control of SHL, unless such sale does not trigger a breach of covenant in relation to the E Debenture/B Note or an acceleration of any of the SGL's debt to SHL

- SHL committed to exercise the rights attaching to its shares in SGL in a manner consistent with procuring that all required actions needed in order to release funds from the E debentures trustee account will be performed

- For the period ending 24 months after the date of Admission: SHL undertake to SGL that direct property acquisitions (at the level of SHL) in excess of 100 million Euros, would require a prior approval from the board of SGL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9: INTEREST - BEARING LOANS AND BORROWING (Cont.)

A. Major refinancing arrangements made during the reporting period (Cont.)

2) The main new Terms and Conditions of RBS loan following the refinancing are:

a) The repayment of the remaining bank loans of approximately €281 million was extended to December 31, 2017

b) LTV (Loan to Value) holiday until April 2015 and then 85% until April 2016 and 80% thereafter should apply

c) Interest cover ratio (“ICR“) was fixed between 110% - 125%.

d) Debt service coverage ratio (“DSCR”) was fixed at 105%.

e) The Company is committed to sell or refinance with other lenders real estate properties valued at approximately €100 million until 2017 as follows - €10 million in 2013, €15 million in 2014, and €25 million in each of 2015-2017. Sale of properties is not limited to specific portfolio/property and/or specific timing during the year. In 2013, the Company sold real estate assets for a total consideration of €12 million (the €2 million surplus will be transferred to 2014). Upon selling of assets, loan principal will be repaid to RBS as allocated to the sold property and multiplied by “release price” ratio of 1.15. The excess of repayment will be allocated to the remaining properties.

f) According to the agreed waterfall, each month 11% of the rent proceeds are being released to finance the portfolios activity and each quarter RBS debt service is being paid and a further release is done if the expenses exceeded 11%. The remaining cash is allocated to debt service of the B note.

To the date of this report the Company complies with all the Covenants under the RBS credit facilities agreements.

B. In November 2013 a non - recourse loan of a subsidiary of the Company (the “Borrower”) in the amount of €24.1 million was refinanced, with Deutsche Genossenschafts- Hypothekenbank AG (DG Hyp). The new loan of €23.5 million is scheduled for repayment on September 30 2018 with an annual amortization of 0.5%, bearing interest of 1.64% + 3month Euribor hedged at 1.0175%, secured by first ranking mortgage, subordination of shareholders loan, guarantee to full occupancy and subject to several covenants as follows:LTV (Loan to Value) holiday until November 2015 and then 75% until November 2017 and 70% thereafter, debt service coverage ratio (“DSCR”) - 145%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10: TRADE RECEIVABLES

	December 31, 2013	December 31, 2012
	Euro in thousands	
Trade receivables	3,030	3,803
Provision for doubtful accounts	(1,253)	(1,832)
	1,777	1,971

Trade receivables are non-interest bearing and are generally 30-90 day terms.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day	>120 days
	Euro in thousands						
2013	1,777	-	375	304	419	173	506
2012	1,971	-	283	211	266	62	1,149

Movements in the provision for impairment of receivables were as follows:

	Euro in thousands
At 1 January 2012	2,079
Charge for the year	364
Utilised	(308)
Exit from consolidation (see note 22)	(303)
At 31 December 2012	1,832
Charge for the year	135
Utilised	(714)
At 31 December 2013	1,253

NOTE 11: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31, 2013	December 31, 2012
	Euro in thousands	
Prepaid expenses	918	916
Service charge	2,347	2,472
Designated cash (*)	5,795	5,228
	9,060	8,616

(*) The balance comprises deposits in rent accounts, which withdrawal is subject to joint signature of the Group and the lender. According to the waterfall mechanism set in the relevant credit facilities agreements, those funds should be addressed first to the debt service needs for more information refer to note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12: CASH AND CASH EQUIVALENTS

	December 31,	
	2013	2012
	Euro in thousands	
Cash at banks and on hand	21,263	37,793
Short-term deposits	2,929	3,780
	24,192	41,573

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

NOTE 13: SHARE CAPITAL

a. The authorized share capital of the Group is represented by an unlimited number of Ordinary shares with no par value.

	Issued and outstanding	
	Number of shares	
	2013	2012
At January 1, 2013	275,000,000	275,000,000
Buy back (d)	(36,000,000)	-
At December 31, 2013	**239,000,000**	**275,000,000**

b. Distributable reserve:
In accordance with the law, any distribution is subject to a solvency test to determine whether the Company is able to distribute funds to shareholders.

c. Dividends on Ordinary shares:
No dividends were paid during 2012 and 2013. After the reporting date the Board has resolved on dividend distribution of 0.5c per share, to be distributed on May 26, 2014 to shareholders according to register at May 15, 2014.

d. In December 2013, the board of directors approved a buyback of 36,000,000 shares from Unifinter Administratiekantoor B.V at a share price of 59.55 cents. The parties agreed the consideration of this purchase to be offset against the outstanding receivables from Unifinter Administratiekantoor B.V. in amount of €21.4 million.

e. In December 2013 the Company resolved to admit its shares to trading on the AIM market of the LSE. The process successfully completed on February 26, 2014 when the placing took place and further 54,971,291 new ordinary shares were issued at a price of 63c. Out of the new shares, 1,438,252 shares were issued to the Group's advisors for their services in connection with the admission. The net from costs proceeds amounted to €30 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13: SHARE CAPITAL (cont)

f. NAV and EPRA NAV:

	As of 31 December 2013		As of 31 December 2012	
	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	152,736	0.64	132,553	0.48
Swap	(11,909)		(27,837)	
Deferred Tax, net	(2,707)		(1,162)	
EPRA NAV (**)	167,352	0.70	161,552	0.59

(*) Net Asset Value
(**) EPRA NAV is calculated based on the NAV excluding the effect of deferred taxes and the value of hedging instruments.

NOTE 14: EARNINGS PER-SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended December 31,	
	2013	2012
	Euro in thousands	
Earnings		
Earnings (loss) for the purposes of basic earnings per share being net profit attributable to owners of the Company	22,207	(38,196)

	Year ended December 31,	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	274,901	275,000

There's no difference in the current year or the previous year between basic and diluted earnings per share

NOTE 15: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Amounts owed by related parties		Amounts owed to related parties	
	December 31		December 31	
	2013	2012	2013	2012
	Euro in thousands		Euro in thousands	
Loan to/from related party	-	18,670[(a)]	41,920	-
Other related parties	271	526	225	38
	271	19,196	42,145	38

(a) In December 2013, the Board has approved a buyback of 36,000,000 shares from Unifinter Administratiekantoor B.V., in a share price of 59.55 cents. The parties agreed the consideration of this purchase would be offset against the outstanding receivables from Unifinter Administratiekantoor B.V. in amount of €21.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Assets Management Company and ultimate controlling party:

At the date of this report Summit Real Estate Holdings Ltd which holds approximately 79.17% of the Ordinary shares in the Company is under the control of Mr. Zohar Levy, a director of the Company and who was nominated after the reporting date as the Managing Director of the Group. Summit Management CO S.A. ("SMC"), a company controlled by Zohar Levy, was appointed as an Asset Manager on 19 May 2006. This appointment was revised in February 2014.

Terms and conditions of the management agreement

The management agreement was amended on February 14, 2014 in preparation for Admission to AIM. Accordingly, SMC, is responsible for providing certain public company services and advisory services to the Group, including the services of the Group's Managing Director and Finance Director, Zohar Levy and Sharon Marckado Erez.
SMC will, from Admission, receive an advisory fee equal to €750,000 per annum, payable quarterly, plus the potential to receive a bonus of up to €750,000 per annum depending on certain performance criteria, which will cover the salaries of Mr Levy and Ms Marckado Erez together with certain administrative and other costs of the Group.
The annual bonus may be payable in each accounting year of up to €750,000 ("Maximum Bonus") based on hurdles to be determined by the remuneration and nomination committee of the Company, save that in respect of the accounting year ending 31 December 2014 the bonus shall be payable if the Company's Funds From Operations ("FFO") is equal to or greater than 112% of the FFO for the year ending 31 December 2013 ("Base FFO"). Where the Company's FFO in the accounting year ending 31 December 2014 is above the Base FFO but less than 112% of the Base FFO, SMC shall be entitled to an amount equal to the pro-rata proportion of the Maximum Bonus. Any Bonus which SMC is entitled to receive in any relevant accounting year shall be reduced by an amount equal to any carried interest amount paid to SMC pursuant to the articles of association of SFL in respect of the same accounting year, provided that any Bonus shall not be reduced to less than zero.

The articles of association of SFL ("SFL Articles") contain certain provisions which relate to SMC's carried interest entitlement in respect of their services provided under the initial Portfolio Management Agreement from 2006. SMC holds special B shares in Summit Finance Limited which will give it the right to receive a carried interest if the Company distributes a cash return on shareholders' equity of at least 8% in any financial year ("the Hurdle"). SMC will be entitled to receive 25% of the cash return in that year in excess of the Hurdle after deducting the carried interest entitlement. If the Company has not achieved a cash return on shareholders' equity of at least 8% in any previous year ("a Shortfall"), the carried interest will not be paid until the Shortfall has been made up. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of aforementioned. As of 31 December 2013, the Shortfall is approximately €146.7 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

SFL articles were amended so SMC's entitlement to receive any carried interest payable is by virtue of its ownership of B shares in SFL. The SFL Articles and the amended Portfolio Management Agreement provide that the B shares may be held by whoever is the appointed asset manager under the Portfolio Management Agreement or any other asset or portfolio management agreement to which the Company is a party from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Terms and conditions of the management agreement (cont.)

Under the initial management agreement which was in effect during the reported period, an SMC was entitled to annual basic management fee of 0.5% of the aggregate value of the assets under management. The initial agreement was for a 10 years term.

Compensation of key management personnel of the Company :

	2013	2012
	Euro in thousands	
Professional fees to directors	90	91
Management fees	2,528	4,032
Total compensation paid to key management personnel	2,618	4,123

The Group signed with SHL subsidiaries a lease agreement of 330 sqm for arm's length rent of € 43,560 annual rent for approximately six years, which reflects € 11 rent per month per sqm compatible with market rents in same areas.

NOTE 16: TRADE AND OTHER PAYABLES

	December 31,	
	2013	2012
	Euro in thousands	
Accrued expenses	1,947	2,445
Accrued interest	4,247	2,877
Service charge prepayments	1,589	1,723
Acquisition costs to be paid	-	30
VAT	515	428
Provision for maintenance	4,016	1,875
Other trade payables	6,354	3,294
	18,668	12,672

NOTE 17: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2013	2012
	Euro in thousands	
Management and directors' fees	2,618	4,123
Professional fees (a)	1,084	1,973
Salaries	2,343	2,636
Administration fees	102	82
Other expenses(b)	(1,654)	1,006
Office expenses	165	235
	4,658	10,055

(a) Professional fees include audit fees in the amount of €327 thousand (2012: €380 thousand).

(b) Other expenses include release of provisions from previous years.

(c) See note 15 for details on the amendment to the management agreement signed after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 18: FINANCIAL EXPENSES (INCOME)

	Year ended December 31,	
	2013	**2012**
	Euro in thousands	
Financial expenses:		
Interest on bank borrowings	25,637	38,576
Cost of raising loans -amortization	1,048	969
Ineffective hedge instruments reserve (a)	10,887	-
Other	444	245
Total financial expenses	38,016	39,790
Financial income:		
Interest income on short-term deposits	64	116
Profit from refinancing (see note 9A)	30,000	-
Income from marketable securities	4,426	-
Income on currency exchange	710	-
Other	728	-
Total financial income	35,928	116

(a) In February 2013, the interest rate swap arrangements that hedged the cash flow of the Bank loans floating interest (the "Old Swap") became ineffective following the refinancing transaction describe in note 4A. Therefore the hedging reserve related to the old swap (in the amount of €23 million) was recognized in profit and loss (financial expenses). Starting from the refinancing transaction date, the revaluation gain of the old swap has been recognized in profit and loss (€13 million financial income to December 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 19: TAXATION

A) Taxes on income recognized in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2013	2012
	Euro in thousands	
Current income tax:		
Current income tax charge (credit)	20	(1,118)
Deferred income tax (See C):		
Relating to origination and reversal of temporary differences	45	198
Income tax expense (credit) reported in the statement of comprehensive income	65	(920)

B) A reconciliation between the tax benefit in the consolidated statement of comprehensive income and the profit before taxes multiplied by the current tax rate can be explained as follows:

	Year ended December 31,	
	2013	2012
	Euro in thousands	
Profit (Loss) before taxes on income	23,890	(38,040)
Tax at the statutory tax rate in Germany (15.825%)	3,781	(6,020)
Increase (decrease) in respect of:		
Losses for which deferred taxes were not recorded	2,448	1,969
Utilization of tax losses for which deferred tax were not recorded in the past	(2,903)	-
Effect of lower tax rate	(2,202)	(2,830)
Deferred taxes not recognised due to revaluation of investment properties and other income	3,166	8,056
Non-deductible expense	(3,534)	243
Difference between tax and reporting GAAP	(966)	(1,499)
Adjustments in respect to current income tax of previous years	138	(984)
Other	137	145
Income tax expense (income)	65	(920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 19: TAXATION (Cont.)

C) Deferred income tax:

	Consolidated statement of financial position	
	2013	**2012**
	Euro in thousands	
Deferred tax asset (liability)		
Revaluations of investment properties to fair value	(9,410)	(5,834)
Losses carried forward	4,112	-
Revaluations of financial instruments	1,360	2,745
Provisions	743	1,391
Other	489	536
Deferred tax assets (liabilities), net	(2,706)	(1,162)

The Group offsets deferred tax assets and liabilities when these are originated by the same tax entity. After offsetting such assets and liabilities, the net balances are:

	Consolidated statement of financial position	
	2013	**2012**
	Euro in thousands	
Deferred tax asset	690	857
Deferred tax liability	(3,396)	2,019

	Consolidated statement of comprehensive loss (income)	
	2013	**2012**
	Euro in thousands	
Deferred tax asset (liability)		
Revaluations of investment properties to fair value	766	1,264
Losses carried forward	(592)	-
Revaluations of intangible assets	100	-
Revaluations of financial instruments	7	-
Provisions	(43)	(1,075)
Other	(193)	9
Increase in deferred tax, net	45	198

	Other comprehensive loss	
	2013	**2012**
	Euro in thousands	
Deferred tax asset (liability)		
Revaluations of investment properties to fair value	-	-
Revaluations of financial instruments	1,486	469
Ineffective swap	13	-
Provisions	-	-
Other	-	61
Increase in deferred tax, net	1,499	530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 19: TAXATION (Cont.)

D) Based on the Group's expectations, future sales of investment properties will be implemented through a sale of the shares of the company owning the assets, rather than a direct sale of the assets. Therefore, for the purpose of calculating deferred taxes the tax rate applicable to the sale of shares was used. This policy was implemented regarding all of the Company's holdings in investment properties, except for its holding through "Deutsche Real Estate AG" (a subsidiary purchased in August 2007), for which the Group has a different legal structure.

E) During the year 2013, the Group received tax returns on the amount of 305,000 Euros (during 2012: the Group has made tax payments of 132,000 Euros).

F) Group's carried forward tax losses which deferred taxes were not created for, are 49 mil Euros, (during 2012: 36.2 mill Euros).
No deferred tax assets were recognized with respect to those tax losses carry forward since their utilization is uncertain.

NOTE 20: FINANCIAL INSTRUMENTS

The Group's principal financial liabilities, other than derivatives, comprise mainly bank loans, and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Company has various financial assets such as trade receivables and cash and short-term deposit. As to derivative transactions, see Note 8.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk as summarized below.

Market risk:

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise two types of risks that are relevant to the Company: Interest rate risk and Price risk.

- **Interest rate risk:**
  The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

  The Group's policy is to fix the interest rate of its bank loans by entering into fixed interest rate loan agreements and by entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31 2013, after taking into account the effect of interest rate swaps, the majority of the Group's borrowings are at a fixed rate of interest. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20: FINANCIAL INSTRUMENTS (Cont.)

Market risk: (Cont.)

- **Interest rate risk: (cont.)**
However, fixing the interest rates of bank loan agreements exposes the Group to market risk on changes in fair value of the swap.

Sensitivity of changes in swap interest rate

	effect	
	5% increase in swap interest rate	5% decrease in swap interest rate
	Euro in thousands	
2013	512	(512)
2012	73	(73)

- **Price risk:**
The Group's marketable securities and available for sale financial instruments are susceptible to price risk arising from uncertainties about future values of the investment in those instruments. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's senior management monitors value and extent of such investments on an ongoing basis.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period:

Sensitivity of changes in equity price

	Profit (losses) impact	
	5% increase in equity price	5% decrease in equity price
	Euro in thousands	
2013	486	(486)
2012	2,078	2,078

- **Credit risk:**
Credit risk is the risk that counterparty will not meet its obligations, as reflected as of the period end in Group's financial statements, under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities.

The Group performs ongoing credit evaluations of its lessees and the financial statements include specific allowances for doubtful accounts which, in management's estimate, adequately reflect the underlying loss of debts whose collection is doubtful.

The Group does not have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20: FINANCIAL INSTRUMENTS (Cont.)

- **Credit risk: (cont.)**
  Credit risk on investments in marketable securities is limited as investments are in high credit rating and usually represent asset backed securities or guarantees. Diversity and credit rating are monitored on an ongoing basis.

  The carrying amount of financial assets recognised in financial statements net of impairment losses represents Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

  Collateral and other credit enhancements are obtained in most cases, pursuant to management assessment of the client's credit quality and an assignment of its credit limits.

Liquidity risk:

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 based on contractual undiscounted payments.

	As at 31 December 2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	20,773	18,919	20,076	273,776	39,165	372,709
Trade and other payables	30,984	-	-	-	-	30,984
Other liabilities	4,609	-	-	-	-	4,609
Payables to related parties and shareholders	225	-	-	-	-	225
	56,591	18,919	20,076	273,776	39,165	408,527

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

	As at 31 December 2012					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	127,087	346,684	1,385	1,360	17,199	493,715
Trade and other payables	19,397	24,476	-	-	-	43,873
Other liabilities	6,742	-	-	-	-	6,742
Payables to related parties and shareholders	38	-	-	-	-	38
	153,264	371,160	1,385	1,360	17,199	544,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20: FINANCIAL INSTRUMENTS (Cont.)

Capital management:

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

No changes were made in the objectives, policies or processes during the years end 31 December 2013 and 31 December 2012.

The gearing ratios at 31 December 2013 and 31 December 2012 were as follows:

	2013	2012
	Euro in thousands	
Non current interest bearing loans and borrowings	349,119	344,396
Current liabilities	21,331	102,695
Less cash and short term deposits	(24,192)	(41,573)
Net debt	346,258	405,518
Equity	160,131	134,677
Total capital	506,390	540,195
Gearing ratio	68.4%	75.1%

Fair value of financial instruments and non financial instruments:

Fair value of financial instruments carried at amortised cost:

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position:

The financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 2 and 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements marketable securities are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements (swaps) are derived from inputs other than quoted prices that are observable for those instruments directly (i.e. as prices).
- Level 3 fair value measurements (available-for-sale investment – unquoted equity share) are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20: FINANCIAL INSTRUMENTS (Cont.)

Fair value measurements recognised in the statement of financial position: (Cont.)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (see also note 5)	-	-	501,154	501,154
Available-for-sale financial assets				
Unquoted equity shares [(a)]	-	-	2,962	2,962
Hedging instruments:				
Foreign currency exchange instruments (see also Note 9A)	-	1,236	-	1,236
Derivative instruments [(d)]	-	407	-	407
Financial Assets carried at fair value through profit or loss				
Marketable securities [(b)]	9,345	-	-	9,345
Total	9,345	1,643	504,116	515,104
Financial liabilities				
Derivative instruments - swaps [(c)]	-	(12,316)	-	(12,316)

(a) During 2013 the Group has recorded increase in value of investment in the unquoted equity in the amount of € 335 thousand (Presented in other comprehensive income- Net profit (loss) arising on revaluation of available-for-sale financial asset), for more information refer to note 24(a).

(b) The change in marketable securities (listed securities of Summit Real Estate Holdings, and bonds held by the Group) from December 31, 2012 resulted mainly from sale of securities in the amount of €35.6 million to finance the transaction detailed in note 9A. During the year, the Group recorded income from Marketable Securities in the amount of €4.4 million.

(c) The change in derivative instruments from December 31, 2012 to December 31, 2013 was due to revaluations.

(d) Derivative instruments:
While engaging the original credit facilities in 2006, the Group contracted hedging instruments under the form of "Interest rate swaps" at a fixed rate of 4.3%-4.6% up to the initial repayment date.

The interest rate swap agreements had been contracted in order to protect the Group from an increase in the interest rate. The interest rate swaps meets the criteria of hedging instrument under IAS 39 and is therefore reported at fair value through other comprehensive income.

The calculation of fair value for derivative financial instruments depends on the type of instruments: Derivative interest rate contracts – The fair value of derivative interest rate contracts (e.g., interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 20: FINANCIAL INSTRUMENTS (Cont.)

Fair value measurements recognised in the statement of financial position: (Cont.)

(d) Derivative instruments (cont):

Following the refinancing of the major 3 credit facilities of the group (as detailed in note 1), the Group contracted new hedging instruments under the form of "Interest rate swaps" at a fixed rate of 1%-1.2% from the initial repayment date to the new repayment date at the end of 2017.

€12,316 thousand (2012: €3,362 thousand) of the balance is presented in current liabilities, and €407 thousand in non current assets (2012: €26,770 thousand in other long-term financial liabilities).

Fair value measurements recognised in the statement of financial position: (Cont.)

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	Euro in thousands			
Investment properties (see also note 5)	-	-	515,205	515,205
Financial assets:				
Available-for-sale financial assets				
Unquoted equity shares [(a)]	-	-	2,627	2,627
Financial Assets carried at fair value through profit and loss				
Marketable securities [(b)]	41,552	-	-	41,552
Total	41,552	-	517,832	559,384
Financial liabilities				
Derivative instruments - swaps	-	(30,141)	-	(30,141)

There were no transfers between the levels during the year.

(a) During 2012, the Group recorded decrease in the value of the investment in the unquoted equity shares in the amount of €37 thousand.

(b) The cost was €41,718 thousand. During the year the company recorded loss from fair value adjustment of securities in the amount of €166 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 21: OPERATING LEASE

Operating Lease– Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining average terms of between 1 and 18 years (the average non-cancellable lease length is 4 years). The majority of the leases include a clause to enable upward revision of the rental charge on an annual basis according to the price index or a fixed increase rate.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Euro in thousands	
	For the year ended 31 December, 2013	For the year ended 31 December, 2012
Within one year	35,439	39,708
After one year but not more than five years	86,595	102,762
More than five years but not more than ten years	34,552	41,282
More than ten years but not more than fifteen years	5,050	8,571
More than fifteen years	78	68
	161,714	192,391

The decrease in future minimum rentals receivable is mainly due to loss of control over entities as detailed in note 22.

NOTE 22: DISPOSAL OF SUBSIDIARIES

During December 2012 the Group was informed from one of its lenders who financed two portfolios that the Group did not meet the financial covenants set in the credit facilities. As the Group did not correct the breach during the allowed period, the lender executed the rights provided in the facility agreement and a special servicer was appointed. The authorities of the Special Servicer include, among other, refusal to release cash from the rent accounts, approval of new lease agreements (and/or changes in the current rent agreements), approval of expenses, investments in the properties and budget management.

Consequently, the Group concluded that starting from December 2012 it does not maintain control over the relating entities and as a result, these are not consolidated in its Financial Statements.

The rentable area of the assets held by these entities is about 250 thousands sqm, with a value at the date of loss of control of around €242 million and annual rental income of approximately €22 million. The debt to the lender at the date of loss of control was about €244 million. Following the loss of control, the Group holds shares of these entities which are classified as financial assets available for sale and valued at zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 22: DISPOSAL OF SUBSIDIARIES DURING THE YEAR (Cont)

Analysis of asset and liabilities over which control was lost:

	As of December 31, 2012
	Euro (in thousands)
NON-CURRENT ASSETS:	
Investment properties	241,474
CURRENT ASSETS:	
Trade receivables	213
Prepaid expenses and other current assets	5,642
Cash and cash equivalents	639
NON-CURRENT LIABILITIES:	
Other long-term financial liabilities	7,105
Deferred tax liability	21
CURRENT LIABILITIES:	
Interest-bearing loans and borrowings	244,134
Trade and other payables	6,219
Net liabilities disposed of	(9,511)

Gain on disposal of a subsidiary

	Period ended December 13, 2012
	Euro (in thousands)
Consideration received	-
Net liabilities disposed of	(9,511)
Cumulative loss on hedging instruments entered into for cash flow hedges reclassified in profit or loss on loss of control of subsidiary	7,080
Gain on disposal	(2,431)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 23: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. In December 2013, SHL entered into a conditional agreement (the "Debt acquisition Agreement") with the special servicer of the 11 commercial portfolio Facility to acquire the loan (together with the subordinated benefit of the existing security package) relating to the 11 commercial Portfolio, the outstanding balance is approximately €74 million (the "debt acquisition") and certain loans within the DT12 Portfolio with an outstanding balance of approximately €53 million (the "DT12 holdco Loans"). In January 2014, Summit granted the Company a call option agreement (the "11 commercial portfolio Call Option") which gives the Company the right to be assigned Summit's rights under the debt acquisition Agreement to acquire the 11 commercial Portfolio and the DT12 holdco Loans from the special servicer.

In March 2014 the board of directors resolved to exercise this option and the acquisition was concluded in April 2014. The price paid by the group for the 11 commercial Portfolio and the DT12 holdco Loans is €45.5 million plus certain costs and expenses. In certain circumstances additional consideration may be required to be paid on a deferred basis, depending on the aggregate sales price achieved for the DT12 Portfolio properties pursuant to the DT12 Work-out arrangement (see note 23B below).

The Company has previously owned the Portfolio however the portfolio breached its covenants in 2012 due to their very high LTV ratios. As a result, since December 31, 2012, Summit has no longer consolidated these portfolios which have been structurally ring-fenced.

Following acquiring the loan facility, Summit regained full control over the portfolio and it will be reconsolidated commencing the second quarter of 2014.

The Portfolio comprised of mainly offices throughout Germany. It has an aggregate Net Lettable Area of 90,000 sqm and occupancy rate of 71%. The properties generate an aggregate Net Annual Rent of approximately €6.3 million, reflecting a gross rental yield of 13.7% on the acquisition cost.

The management is currently assessing the effect of this transaction on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 23: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

B. In December 2013, the Company and the Group subsidiaries that own the properties in the DT12 Portfolio entered into a consensual work-out arrangement with the special servicer of the DT12 Portfolio pursuant to which it is intended that the 12 properties within the DT12 Portfolio will be sold by February 2015 (the "DT12 Work-out"). As part of this arrangement, the special servicer has agreed that, for as long as the terms of the 11 commercial Portfolio Work-out and the DT12 Work-out are being complied with, the special servicer will not exercise or enforce its rights in respect of the defaults under the DT12 Portfolio financing arrangements as assigned to it by the lender. Until the DT12 Portfolio properties are sold, the Group will provide management services to the properties and will receive on-going fees for those services and further letting fees on extensions of existing leases, re-lettings and new leases. The Group is also entitled to certain fees based on the prices achieved on the sale of the properties. The Company also has a right of first refusal to acquire any property within the DT12 Portfolio at a price of €10,000 above the highest bid price received from potential buyers in respect of the sale of such property and the Company may elect to reacquire some of the DT12 Portfolio properties if the prices are attractive.

NOTE 24: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

A. Sale of participation
On March 27, 2014 a subsidiary of the company has signed an agreement to sell its 50% participation in a JV that holds a property in Berlin for €1.1 million. The sale reflects a yield of 5.2% on the property and subject to several condition precedents. The book value of this participation at the reporting date is €720 thousands.

B. Acquisition of loan
On April 11, 2014 The Group has successfully completed the acquisition of 11 commercial Portfolio. Please see note 23.A for further details.

C. Placing
On February 26, 2014 the Company successfully completed placing of its shares for trading on the AIM market of the London Stock Exchange. For further details please see note 13 e.

D. Distribution of Dividends
On April 28, 2014 the board has resolved to declare a dividend distribution of 0.5c per share. See also note 13 c.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 25: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2013

	Principal activity	Country of incorporation	Direct and indirect holdings %
Summit Finance Limited	Intermediate holding company	Guernsey	100%
Neston (International) Limited	Intermediate holding company	Gibraltar	100%
Summit Luxco s.a.r.l	Intermediate holding company	Luxembourg	100%
Summit LoanCo LTD	Inter group financing company	Guernsey	100%
Gallia invest Sarl	Inter group financing company	Luxembourg	100%
Summit Stern Guernsey	Intermediate holding company	Guernsey	100%
Summit RE Two GmbH (*)	Intermediate holding company	Germany	100%
Summit Real Estate Gold GmbH (*)	Intermediate holding company	Germany	94.8%
Summit Re One GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Silver GmbH	Intermediate holding company	Germany	94.8%
Summit RE Three GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Bronze GmbH	Intermediate holding company	Germany	94.8%
Summit Real Estate Magdebug GmbH (*)	Intermediate holding company	Germany	100%
Summit Real Estate Hauau GmbH (*)	Intermediate holding company	Germany	100%
Summit RE Four GmbH	Inter group financing company	Germany	100%
Summit RE Five GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Platinum GmbH	Shelf company	Germany	94.8%
Summit Real Estate Titanum GmbH	Shelf company	Germany	94.8%
M.S.C Objekt Magdeburg GmbH & Co.KG (*)	Real Estate company	Germany	99.7%
M.S.C Objekt Hanau GmbH & Co. KG (*)	Real Estate company	Germany	99.7%
Summit Real Estate Nepa GmbH	Shelf company	Germany	99.7%
Summit Real Estate Hirundo GmbH	Shelf company	Germany	99.7%
Summit Real Estate Locusta GmbH	Shelf company	Germany	99.7%
Summit Real Estate Blue GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate Orange GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate Yellow GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate White GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate Red GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate Purple GmbH (*)	Real Estate company	Germany	99.7%
Summit Real Estate Black GmbH (*)	Real Estate company	Germany	99.7%
Summit RE GmbH & Co. Black 1KG (*)	Real Estate company	Germany	99.7%
Summit RE GmbH & Co. Black 2KG (*)	Real Estate company	Germany	99.7%
Summit RE GmbH & Co. Black 3KG (*)	Real Estate company	Germany	99.7%
BDPE S.a.r.l (*)	Real Estate company	Luxembourg	99.7%
Summit Real Estate Cammarus GmbH (*)	Intermediate holding company	Germany	99.7%
Summit Real Estate Brown GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Indigo GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Maroon GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Lime GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Azure GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Alpha GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Lilac GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Delta GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Gamma GmbH	Real Estate company	Germany	99.7%
Lommy GmbH	Real Estate company	Germany	99.7%

(*) From December 2012 these companies weren't included in the consolidated financial statements of the company (see Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2013 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
Summit Real Estate Amber GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Lavender GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Magenta GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Ruby GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Epsilon GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Krypton GmbH	Real Estate company	Germany	99.7%
Summit Real Estate BOS GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Delphinus GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Formica GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Grey GmbH	Real Estate company	Germany	99.7%
Grundstucksgesellschaft Gewerbepark Hansalinie GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Kappa GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Lupus GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Omega GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Papilio GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Salmo GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Ursus GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Zeta GmbH	Real Estate company	Germany	99.7%
Gadelander Str. 77 Projekt GmbH	Real Estate company	Germany	99.7%
Cottbuser Str. 1 Projekt GmbH	Real Estate company	Germany	5.2%
Summit Real Estate Camelus GmbH	Real Estate company	Germany	99.7%
Summit Real Estate Hamburg GmbH	Real Estate company	Germany	99.7%
Deutsche Real Estate AG	Intermediate holding company	Germany	78.47%
Summit RE Lambda GmbH	Intermediate holding company	Germany	100%
W2005 Projectpauli GmbH	Intermediate holding company	Germany	99.33%
W2005 Pauli 1 BV	Intermediate holding company	Netherlands	94.90%
DRESTATE Objekt Berlin, Friedrichstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
GET Grundstücksgesellschaft mbH	Intermediate holding company	Germany	47.08%
DRESTATE Objekt Hamburg, Mendelssohnstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Stuttgart, Rosensteinstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Berlin, Hauptstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Düsseldorf, Bonner Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Limburgerhof, Burgunderplatz GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Ludwigshafen, Carl-Bosch-Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Böblingen, Otto-Lilienthal-Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
GbR Heidelberg, Mannheimer Straße	Real Estate company	Germany	68.66%
DRESTATE Objekte Erste GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Saarbrücken, Kaiserstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Saarbrücken, Hafenstraße GmbH & Co. KG	Real Estate company	Germany	78.47%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2013 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
DRESTATE Objekt Berlin-Teltow, Potsdamer Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Norderstedt, Kohfurth GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekte Hamburg Vierundzwanzigste GmbH & Co. KG	Intermediate holding company	Germany	78.47%
DRESTATE Objekte Zweite GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt München, Maria Probst Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
Achte TAXXUS Real Estate GmbH	Intermediate holding company	Germany	78.47%
DRESTATE Objekt Seesen, Rudolf-Diesel-Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Frankfurt, Zeil GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Carreé Seestraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Services GmbH	Real Estate company	Germany	78.47%
Objekt Verwaltungs GmbH Deutsche Real Estate	Real Estate company	Germany	39.24%
DRESTATE Objekte Dritte GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekte Vierte GmbH & Co. KG	Real Estate company	Germany	78.47%
Deutsche Shopping GmbH & Co. KG	Intermediate holding company	Germany	78.47%
Verwaltungsgesellschaft Objekte DRESTATE mbH	Intermediate holding company	Germany	39.24%
K-Witt Kaufzentrum Wittenau GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Worms, Am Ochsenplatz GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Gießen-Linden, Robert-Bosch-Straße GmbH & Co. KG	Real Estate company	Germany	78.47%
K-Witt Kaufzentrum Wittenau II GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Hamburg, Osterfeldstraße GmbH & Co. KG	Real Estate company	Germany	48.97%
DRESTATE Objekt Hamburg Pinkertweg GmbH	Real Estate company	Germany	78.47%
Grit 68. Vermögensverwaltungs GmbH	Real Estate company	Germany	78.47%
Verwaltung K-Witt Kaufzentrum Wittenau GmbH	Real Estate company	Germany	78.47%
Beteiligungsgesellschaft Pinkertweg GmbH & Co. KG	Real Estate company	Germany	78.47%
Verwaltungsgesellschaft DRESTATE mbH	Real Estate company	Germany	78.47%
DRESTATE Wohnen GmbH	Real Estate company	Germany	78.47%
Verwaltungsgesellschaft Deutsche Real Estate mbH	Real Estate company	Germany	78.47%
Object Verwaltungsgesellschaft 2013 Drestate mbH	Intermediate holding company	Germany	39.24%

SMC holds B shares in Summit Finance Limited, with limited rights. For further details please see Note 15.

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