



ANNUAL REPORT AND ACCOUNTS 2015

SUMMIT
Germany Ltd



Carrée Seestraße GbR, Berlin

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Summary

We are pleased to present the audited results for the year ended 31 December 2015 of Summit Germany Limited and its subsidiaries (together: the “Group”) and the Group’s annual report.

Highlights

- €75.1 m Net Profit, net of non-recurring costs (Statutory: €63.5 m)
- New acquisitions of office buildings totalling €95 m at attractive net initial yield of 10.5%
- Further acquisitions of €40.5 m of German offices post period end

Financial Results

- Underlying performance adjusted for non-recurring items (2014 adjusted for refinancing gains):
 - Net Profit of €75.1 m (2014: €57.4 m)
 - Profit Before Tax (PBT) of €82.6 m (2014: €60.5 m)
 - Earnings Per Share (EPS) of 15.9c (2014: 28.4 cents)
- Funds from Operations (FFO) increased 212% to €28.8 m (2014: €13.6 m). FFO per share following the admission of new shares in February 2015 is 6.4 cents (2014: 4.8 cents).
- Rental income of €49.5 m (2014: €43.3 m); Gross profit of €45.8m (2014: €39.9 m)
- Revaluation profit of €55.3 m reflecting 8.5% increase on the portfolio value and costs of new acquisitions.
- Statutory results of €63.5m affected by non-recurring costs from repayment of shareholder loan including an early repayment penalty of €4.5 m and impact of Euro devaluation of €7.1 m.
- EPRA Net Asset Value (EPRA NAV¹) increased to €427.5 m (31 December 2014: €255.4 m) mainly due to second placing, revaluations and profits. EPRA NAV per share post dilution and dividends is 92 cents (31 December 2014: 87 cents).
- The Group’s NAV increased by €164.7 m and reached €409.4 m at the end of the reporting period (31 December 2014: €244.7 m).

New Acquisitions

- €95 m new properties in 2015:
 - Portfolio of six commercial properties acquired through purchase of a €78 m loan facility at a total cost of ca. €40 m. Following the transaction, the Group regained control over the properties with net rental income of €5.5 m, reflecting 13.8% yield on total acquisition costs. Revaluation of this portfolio for year-end contributed €42.5 m of the total revaluation surplus.
 - Acquisition of a multi let complex of office buildings in Stuttgart with net annual rent of approx. €4.5 m reflecting 8.1% yield on the total acquisition costs of ca. €55 m.
- Further acquisitions totalling €40.5 m post reporting period at average NOI yield of approx. 7.4%
- Disciplined approach towards future acquisitions in a highly active and competitive German market environment

¹ EPRA NAV is calculated based on the IFRS NAV excluding the effect of deferred tax and the fair value of hedging instruments

Robust expanded portfolio

- Investment portfolio of 103 properties as of the end of the reporting period with a net market value of €735 m, generating expected net rent of €57 m per annum, reflecting a rental yield of approximately 8%.
- Further expansion post reporting period, resulting in a net market value of approximately €775 m and expected net annual rent of €60 m.
- Signing of 173 new leases and renewals for approximately 130,000 sqm (rent of €11 m p.a.). Further new lettings are expected to be signed in 2016. Current Weighted Average Lease Length (“WALL”) of the portfolio is 4.1.
- Maintained occupancy rate of approximately 90% across majority of the Group’s portfolio (87% across the whole portfolio).
- Three Joint Venture development projects for 131 residential units in Berlin at various stages of development. First project is 98% sold. Other projects are 67% and 51% presold respectively.

Financing activities improving cash flow

- Interest expenses were cut by 50% through financing activities. Interest expense amounted to €10.2 m (2014: €20.9 m) as a result of:
 - Early repayment of ca. €50 m of shareholders loan which resulted in €4.75 m of annual interest savings.
 - Decrease in costs of debt due to refinancing and expiry of legacy swaps.
 - €33 m financing of 9 of 11 properties acquired in 2014 provided on a seven years term at a low interest rate of 1.96% per annum. Two properties remained unmortgaged.
- LTV net of cash of 39% well within covenants limits.
- €29 m financing of the recent acquisitions in 2016, at ca. 2% interest rate p.a. further securing an average low interest rate on the Group’s debt.

Dividends

- In January 2015, prior to the second placing, we paid a dividend of 1.2 cents per share.
- Following the second placing, we paid 3 quarterly dividends totalling 2.44 cents per share.
- After the end of the reporting period, we announced and paid a dividend of 0.95 cents per share.
- The total dividend distribution for 2015 amounted to 3.39 cents per share, reflecting a 4.8% yield on the placing price of 70 cents per share.
- The last dividend of 0.95 cents reflects an annualised yield of 5.4% and is indicative of the dividend levels going forwards.

Harry Hyman, Chairman, commented: “It has been an exciting year for Summit and we are very pleased to announce the Group’s full results. The Group’s activities throughout the year strengthened the portfolio and enabled the successful realisation of the Group’s expansion plan. Led by our experienced professional team we are confident that our portfolio is well positioned to deliver enhanced returns to our shareholders.”

Zohar Levy, Executive Director and Managing Director, added: “This has been a successful year for the Group. Setting the target towards expanding our portfolio, we have accomplished great success in fulfilling our strategy. Further to our achievements in portfolio’s operations, we have fixed bank debts at low interest rates and secured a stable cash flow over the long term.”



Rahmhof, Schillestrasse 5, Frankfurt

Chairman's and Managing Director's Report

Chairman's and Managing Director's Report

We are very pleased to present the Group's results for the year ended 31, December 2015.

The reporting year 2015 has been very exciting for the Group. Following a second fund raising on 2 February 2015 we have pursued our strategy and successfully brought our portfolio expansion plan to realisation. We are delighted with the Group results, which not only show the strong performance of our portfolio, but also demonstrate the continued benefits of our strategy over the past periods.

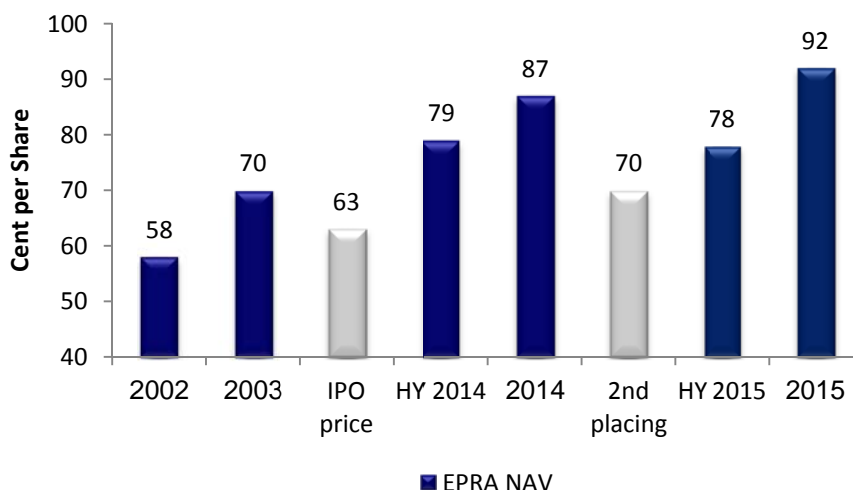
Increase in EPRA NAV and profit from revaluation

The Company's second fund raising and the profit generated during the reporting period contributed greatly to the increase in the Group's EPRA NAV to €427.5 million as of the end of the reporting period. The EPRA NAV has recorded a 67% increase over €255.4 million in 2014. The Group's NAV increased by €164.7 million and reached €409.4 million at the end of the reporting period (31 December 2014: €244.7 million). EPRA NAV per share post dilution and dividends is 92 cents (31 December 2014: 87 cents).

At the second fund raising the Company issued 171,428,571 new ordinary shares at a price of 70 cents by way of a placing on AIM. The successful admission of shares had a strong impact on the Group's EPRA NAV and has contributed €120 million (excluding capital raising costs) to it. The placing proceeds have enabled the Group to realise its expansion plan acquiring new properties during the reporting period, as detailed below. Further acquisitions have been made in 2016 to date.

The improved performance of the Group's portfolio and its acquisitions had a positive effect on the Net Market Value ("NMV") of the properties. An independent valuation carried out as at 31 December 2015 resulted in a valuation surplus of €55.3 million, which further contributes to the increase in NAV and reflects an increase of 8.5% on the portfolio value including costs of new acquisitions. Revaluation of the six properties portfolio for year-end contributed €42.5 m of the total revaluation surplus. As of 31 December 2015, the NMV of the Group's portfolio was €731.7 million (31 December 2014: €582.6 million).

Despite the dilutive effect of the shares issued in February 2015 and dividend payments in 2015, the period ended with an EPRA NAV per share of 92 cents, reflecting a premium of more than 31% on the share price of 70 cents at the time of the second placing.



The Group's accomplishments in both the operational and the financial aspects of the portfolio significantly improved the profit from ongoing operations, which has more than doubled during the reporting period and amounted to €31 million (2014: €14.9 million). The outstanding improvement was partly offset by a non-recurring financial expense of €11.6 million, related to the repayment of the shareholders loan, which resulted in annual cost saving of €4.75 million.

Realising our portfolio's expansion plan

By actively managing our stable portfolio while focusing on the future, we vigorously progressed our targeted plan of expansion and brought it to realisation shortly after completion of the second placing. Our experienced team of professionals pursued the market opportunities to acquire accretive properties and restructure deals to maximise yields.

Leveraging a substantial pipeline of acquisitions, we successfully invested €95 million in new properties within just a few months. A portfolio of six commercial properties was purchased via a loan acquisition at an implied rental yield of 13.8% and a complex of office buildings in Stuttgart was purchased through a corporate share transaction at a rental yield of 8.1% per annum.

Notwithstanding the additions to our portfolio, we have continued our expansion activities and acquired an additional €40.5 million of further properties post period end. The properties, located in Munich, Duisburg and Frankfurt were purchased at an implied average rental yield of approximately 7.4%. Together with long term bank financing at an average interest rate of 2% per annum, these acquisitions will contribute approximately a 14% return on the invested cash and blended FFO yield of 20.5%.

We believe that there are opportunities to further enhance the value of the acquired properties through the letting of vacancies, part conversion to residential uses and development of surplus land. As such, in addition to their material contribution to the Group's future cash flow, the properties make an excellent addition to our existing portfolio.

Further information on the Group's recent acquisitions is included in the section "Our Business".

Financing activities improving the Group's cash flow

Interest expenses have been cut by more than half

As a result of our intensive refinancing activities over the last two years, interest expenses were cut by more than 50% during the reporting period and amounted to €10.2 million (2014: €20.9 million).

The substantial decrease in interest expenses has affected positively the Group's FFO which amounted to €28.8 million in 2015 (2014: €13.6), reflecting an increase of more than 210%.

FFO	€'mm
Gross profit	45.8
G&A expenses	-6.8
Interest expenses, net	-10.2
FFO	28.8
Weight. Ave. amount of shares	450
FFO per share (cent)	6.4

Despite the dilutive effect of the issuance of new shares during the reporting period, the FFO per share showed an increase of more than 33% compared to 31 December 2014, reaching a level of 6.4 cents as of 31 December 2015 (2014: 4.8 cents).

The sharp cut in the Group's interest expenses compared to 2014 was made possible mainly due to the refinancing of the Group's main debt facility of €268 million, which took place shortly before the beginning of the reporting period. The new seven years debt facility provided by two German Banks set an annual interest rate which was 0.76% lower than the previous rate, resulting in interest expense savings of approximately €2 million during the reporting period. The expiration of the legacy swaps on the previous loans contributed an additional €7 million to the savings in interest expenses during 2015. The early repayment of the Group's Shareholders Loan also contributed to the interest expense savings, as further explained below.

Strong performance in spite of non-recurring financial items

Although the Group's performance indicators in 2015 present a positive and strong performance, they were affected by non-recurring financial expense resulting from the Euro devaluation and its impact on the Shareholder Loan that was repaid in the first half of 2015.

The enhanced results that have been achieved during the reporting period are revealed by excluding the non-recurring financial expense, as further explained below:

PBT	€'mm
Gross profit	45.8
G&A expenses	-6.8
Fair value adjustments of investment properties	55.3
Financing expenses (net)	-21.7
Other	-1.6
Profit before taxes	70.9
Adjustment of one-off financial items	11.6
Profit before taxes (exc. one-off items)	82.6

EPS	
Earnings Per Share	13.3
Adjustment of one-off financial items	2.6
Earnings Per Share (exc. one-off items)	15.9

As of the date of repayment, the Group had a Shareholder Loan amounting to approximately €50 million (including foreign exchange costs), which bore an annual coupon of 9.5%. The Shareholder Loan was backed by a listed bond which mirrored the terms of the Shareholder Loan and was issued by Summit Real Estate Holdings Ltd., the parent company, on the Tel Aviv stock exchange. Since the listed bonds had been trading at a 20% premium, the Group used the opportunity to exercise the option granted by its parent company for an early repayment of the Shareholders Loan at a 10% premium (€4.5 million). In the interest of improving the Group's future cash flows by reducing interest expenses, the Group fully repaid the Shareholder Loan at the beginning of the reporting period.

While the repayment itself had a positive impact on the interest savings during the reporting period (approximately €4 million per annum), the Group's results absorbed an additional non-recurring finance expense of €7.1 million from the associated foreign exchange costs.

Strengthening cash flows through further financing

In March 2015, we took advantage of the market's low interest rate environment to finance 9 out of the 11 commercial properties acquired in April 2014. A seven years facility was provided by a German bank at an annual fixed interest rate of 1.96%. The facility is in the sum of €33 million, of which €2.5 million is conditional on the extension of the terms of the years of certain leases. The loan bears an amortization rate of 3% per annum.

By adopting an active approach towards refinancing over the last periods, we have successfully enhanced our current and future cash flows and optimised our capital structure. We have locked in an average low interest rate of 2.81% over the long term, sustaining a low LTV level of 45% as of 31 December 2015 (31 December 2014: 48%) and 39% net of cash, to ensure sufficient flexibility.

An overview of the Group's credit facilities and their financial covenants as of 31 December 2015 is presented in the table below:

Credit Facility	Financing Date		Loan Amount (€mn)	Interest	Amort'	Market Value (€mn)	Loan to Value		DSCR Ratio		Debt to Rent		WAULT Ratio	
	Start	Maturity					Cov'	Actual	Cov'	Actual	Cov'	Actual	Cov'	Actual
1	12.2014	12.2021	85	3.14%	2.00%	184.7	70%	46%	NR	NR	6.8	6.0	3.0	4.4
2	12.2014	12.2021	149	3.14%	2.00%	278.0	75%	54%	NR	NR	8.2	7.8	3.0	3.7
3	03.2015	03.2022	30	1.96%	3.00%	56.2	65%	47%	125%	278%	NR	NR	3.0	4.1
4	11.2013	11.2018	23	2.66%	2.00%	35.0	75%	64%	145%	170%	NR	NR	NR	NR
5	10.2012	12.2021	5	e+1.75%	3.00%	11.3	NR	45%	125%	282%	NR	NR	NR	NR
6	10.2012	02.2019	11	e+1.75%	2.65%	15.5	NR	70%	125%	220%	NR	NR	NR	NR
7	10.2014	10.2019	24	e+1.5%	4.00%	52.1	NR	NR	125%	245%	NR	NR	NR	NR
Other			2			0.0	NR	NR	NR	NR	NR	NR	NR	NR
Unpledged Properties						102.6								
			328.4			735.3	45%							

As at the date of this report the Group complies with all of the loan covenants.

We progressed our strategy as we financed the recent acquisition after the end of the reporting period securing €29 million at an average interest rate of approximately 2.1% per annum and annual amortisation rate of less than 3%. The low interest rate has been fixed over the ten years term, providing further certainty and sustainability to the portfolio's future cash flow.

In February 2016, the Group obtained an Aa3 ("very strong") issuer rating by Midroog, a subsidiary of Moody's. The excellent rating further expands the future financing options available to the Group.

Robust expanded portfolio

Solid portfolio to anchor future cash flows

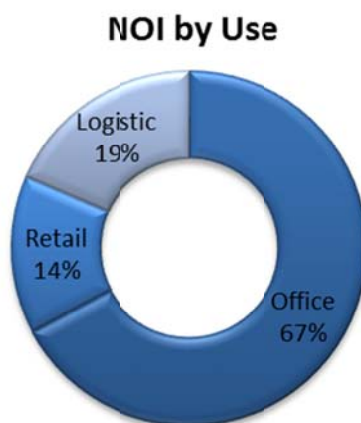
Building and maintaining a strong platform is crucial to the Group's success. Our asset management and marketing teams invested enormous efforts throughout the year to enhance our portfolio, alongside the accomplishments on the financial front. The accretive properties additions made during the second half of the year expanded the existing stable portfolio, creating an even more solid platform to anchor future enhanced cash flows.

Having a strong asset management team coupled with the direct approach of our marketing team, we completed new leases for approximately 30,000 sqm, and renewed existing lease agreements for an additional 100,490 sqm, worth a total of approximately €11 million per annum. In spite of the expiration of some leases during the reporting period, we continued our good letting record and maintained an occupancy rate of 90% across the majority of the portfolio and approximately 87% across the whole portfolio.

Our excellent landlord and tenant relationship have enabled us to maintain a stable rental income on a like for like basis, despite the disposal of a few properties during the reporting period. Following the acquisition of additional properties during the second half of the year, the rental income recorded in the Group's Income Statement has increased by more than 14% and amounted to €49.5 million (2014: €43.3 million).

The rental income presented in the Group's Income Statement reflects only part of the current lease agreements due to the timing of signing of new leases. Taking the current leases into full consideration while adding leases which are under advanced negotiation stages and leases which are about to expire, the Group's portfolio is expected to generate approximately €57 million of annual rental income. Following the acquisitions made post period end, the annual rental income is expected to grow by an additional €3 million.

The Net Operating Income ("NOI") amounted to €45.8 million for the year ended 31 December 2015, reflecting 14.8% increase compared to €39.9 million at the end of 2014. It was contributed to by all of the portfolio's sectors as follows:



Property portfolio overview

As of 31 December 2015, the portfolio generates annualised net rental income of €57.1 million linked to CPI or with fixed rent uplifts. It comprises net lettable area of approx. 857,000 sqm on approx. 1,404,000 sqm of land with a yield of 7.8% generated from 103 properties with approx. 650 tenants. The current occupancy rate across the portfolio is approximately 87%. The annual net rental income of the portfolio on full occupancy is estimated at €65 million, which would reflect a yield of 8.9% on current book value.

Type	No. of Assets	Land Size (sqm'000)	Lettable (sqm'000)	Vacant (sqm'000)	Net Rent (€'mm)	Rent/sqm/month	Capital Value (€/sqm)	Yield (%)
Office	50	630	507	81	40	7.9	1,052	7.5%
Retail	36	234	93	18	7	7.9	934	8.2%
Logistic	17	540	257	15	10	3.4	448	8.5%
Total	103	1,404	857	113	57	6.4	858	7.8%

The current portfolio was acquired mainly in 2006-7 with 80% of the income deriving from strong tenants. The portfolio is multi-let, with no dependency on key tenants and a retention rate of 80%. The average monthly rental income varies between the properties within the portfolio as presented in the following table:

	Offices		Logistic		Retail	
	2015	2014	2015	2014	2015	2014
€/sqm/month	7.9	8.0	3.4	3.3	7.9	7.9
Range in €	(4.1-20.1)	(3.5-21.6)	(2.3-5.2)	(2.3-5.2)	(3.5-25.7)	(3.9-25.7)

Geographically, almost half of the portfolio's income is derived from the three major cities, Berlin (19%), Hamburg (13%) and Frankfurt (12%) with a further 19% in Cologne, Dusseldorf, Stuttgart and Munich. 82% of the lettable area is in former West Germany. The largest 10 properties account for 35% of the portfolio's income.

As of 31 December 2015, the Net Market Value of the portfolio was €735.3 million (2014: €582.6 million), as set in the table below:

As of 31 December 2015				As of 31 December 2014			
Office	Logistic	Retail	Total	Office	Logistic	Retail	Total
533.2	115	87.1	735.3	385.1	113.3	84.2	582.6
73%	15%	12%	100%	66%	19%	15%	100%

As part of the Group's strategy to dispose of small and non-strategic properties, four small assets were sold in 2015 for approximately €2.3 million. In addition, three small retail properties were sold in 2016 for a total consideration of €2.4 million. All sale prices are in the range of the properties' book value.

Residential projects under development

To benefit from the ongoing strong demand in the residential market, the Group has been engaged through a joint venture in the development of three residential projects in Berlin. The three projects are located in residential neighborhoods with high demand and are currently at different stages of development. While the first project is already 98% sold, the second and third projects have already reported 67% and 51% pre-sales respectively. Further development project are under consideration.

Dividend

Since listing on AIM, the Group has paid quarterly dividends at an increasing rate to its shareholders.

In January 2015, prior to the Group's second fund raising, the Group distributed a dividend of 1.2 cents per share, reflecting an annual yield of 7.6% on the IPO price of 63 cent.

Whilst not having the placing proceeds fully deployed in 2015 following the second fund raising, but still acknowledging the importance of dividend to its shareholders, the Group has distributed two quarterly dividends of 0.77 cents per share each in April and August 2015. While the same amount of cash has been paid to the shareholders at each payment date, the dilutive effect of the new shares resulted in an annual yield of 4.4% on the increased number of shares and on the higher placing price of 70 cents.

In November 2015, following the deployment of part of the placing proceeds, the Group paid a higher dividend of 0.90 cents per share, reflecting an annualised yield of 5.1%. A further increase in the dividend rate has been made after the reporting period, when the Group distributed a dividend at a level of 0.95 cents per share, reflecting an annualised yield of 5.4%.

The board of Directors believes that the recent expansion of the property portfolio and the improvement in the Group's FFO should permit the Group to consider increasing future dividends, generating even higher dividend yield for its shareholders.

Outlook

2015 has been a very satisfying year for the Group, full of tremendous achievements in all areas of operations and prominent especially by the outstanding realisation of our expansion plan.

Identifying the challenging but rewarding opportunities in the German market, we set the goal towards expansion and commenced to promote our strategy of growth.

Acknowledging the importance of a stable and sustainable portfolio as a firm platform for the Group to grow from, we sought to strengthen our portfolio both financially and operationally. We have improved the financial stability of our portfolio through major refinancing activities, cutting interest expenses by more than half. In parallel our active asset management team secured lettings to maintain the high occupancy rate and rental income of the portfolio.

Within just a few months after the successful fund raising in February 2015, we brought our expansion plan to realisation and deployed most of the proceeds by acquiring great accretive properties in attractive locations. Following the additional acquisitions after the end of the reporting period, we are now fully invested.

Owing to our professional ambitious team, we were able to move fast in the highly competitive German market and lock in acquisitions that perfectly match our strategy. All of the properties are well located, have a stable long term income and bear an excellent applied yield. They make a great contribution to our cash flow and NAV, as clearly presented in our results, published today. In addition, we are confident that the Group will benefit from a substantial upside potential inherent in the properties by further letting of vacancies and future residential development.

We wish to express our thanks to our Property Team who have performed very professionally and with alacrity in the demanding and competitive German market, and for the asset management initiatives and letting campaigns which bring “added value” to the portfolio.

We are encouraged by the German market, which has been strongly driven by the “interest free” environment, turning Germany into an ever appealing investment market. Demand for the Group’s properties continue to be strong and we believe that an increase in rent levels in Germany could have a future boost effect on the value of our portfolio when yields may be tightening.

Though the increasing demand for German real estate offers interesting acquisition opportunities, the expected future yield compression will force us to maintain a disciplined approach towards new acquisitions in an ever demanding market. The board is confident, that the Group is well positioned to take advantage of the market trends and to benefit from them.

Throughout the year we were very pleased to deliver dividends at increasing rates. Looking forward, we believe that our robust solid portfolio, reinforced by the recently integrated acquisitions, will generate additional cash flow to support higher dividend payments.

Harry Hyman
Chairman

Zohar Levy
Managing Director

3 May 2016



Deutsche Med, Rostock

Our Business

Our Business

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

Our 50 strong internal management team is based in Berlin, Frankfurt and Hamburg and have on average over 10 years of experience managing and investing in high yielding properties across Germany. The team works hard to strengthen our relationships with tenants and takes care of both property maintenance and marketing of the vacant units and lease renewals. It has the skills and experience to meet the tenants' needs, with adequate capacity to absorb new acquisitions and manage them from day one.

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 approximately 5%)
- Low capital values, below their replacement cost
- Sustainable growing cash flow to deliver attractive dividend yield
- Substantial upside potential for rent and capital value increase through growth of the German property market

We maximise value via:

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

Our strategy is achieved by being well positioned to take advantage 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 hereafter 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 increase 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

- During the year the rental income on a Like-for-Like (“LFL”) basis remained stable and amounted to €46.2 million, reflecting only a minor decrease of 0.6% compared to €46.5 million in 2014.
- Following new acquisitions of properties during the reporting period, the rental income has increased by almost 23%, amounting to €57.1 million as of the end of the year.
- Rent per sqm has increased by 3% mainly due to fixed rental uplifts integrated in the new lease agreements and lease renewals at higher rent rate
- Weighted average lease length of 4.1 years
- Retention rate of 80%

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 is 13.3 cents per share (2014: 23.7 cents) affected by the dilutive nature of the new shares issued during the reporting period.
- EPRA NAV per share increased by 6% to 92 cents (2014: 87 cents)
- Quarterly dividend payments for 2015 amounting to 3.39 cents per share, reflecting an annual yield of 4.84% on secondary placing price of 70 cents per share.

Objective: To manage our balance sheet effectively

Metric

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

Performance

- Refinancing of the main debt facility of €268 million shortly before the beginning of the reporting period and additional refinancing of €33 million during the reporting period, both for seven years term
- Average maturity of debt facilities of 5.6 years (2014: 6.6 years)
- Additional financing agreements of €29 million at a fixed low interest rate for ten years term after the end of the reporting period, further securing low interest rate over the long term
- LTV net of cash at 39% well within current and future covenant limits (2014: 46%)
- €120 million equity issuance in February 2015

Recent Acquisitions

Properties acquired during the reporting period

Portfolio acquisition via loan acquisition

In July 2015, we completed the purchase of a loan facility on a portfolio of six commercial properties in Germany, previously controlled by the Group. The total cost of the acquisition was approximately €40 million plus minor transaction costs, reflecting an annual rental yield of 13.8%. An independent valuation completed later in the year resulted in a fair value determination of €82.5 million, reflecting a 7.4% yield on the properties' annual rental income and a revaluation surplus of €42 million.

The Portfolio consists of six office properties in good locations in Germany such as Düsseldorf, Heidelberg and Potsdam. It has an aggregate Net Lettable Area of 63,000 sqm and occupancy rate of 72%. The properties currently generate an aggregate Net Annual Rent of approximately €5.5 million.

The six properties were previously owned by the Group, but due to a breach of LTV covenants the Group de-consolidated them from December 31, 2012. As a result of the acquisition of the loan facility, we regained full control over the properties and consolidated them commencing the second half of 2015.

Acquisition of an office building complex in Stuttgart

During the third quarter of 2015, we completed the acquisition of an office building complex in Stuttgart, at a total purchase price of approximately €55 million including acquisition costs.

The site of 135,000 sqm includes 63,000 sqm of lettable area at a current occupancy rate of 95% and bears rights for further development of additional 55,000 sqm. It is multi let to strong tenants with a current WALL of approximately 9 years and aggregates a current annual rental income of approximately € 4.5 million. The expected NOI of € 4.1 million reflects an average net yield of 7.5% on acquisition costs.

Recent Acquisitions

Properties acquired post reporting period

Acquisition of two office buildings in Munich and Duisburg

In January 2016, the Group has acquired an office building in Munich and another property in Duisburg at a total purchase price of € 15 million, including acquisition costs.

The properties consist of ca. 12,000 square meters of lettable area and are fully let to several strong tenants with a WALL of 6.5 years. The aggregate net rent is approximately € 1.2 million per annum, reflecting a rental yield of 8.1% on the acquisition cost.

The acquisition was financed by the Group's own resources and by a €10.5 million loan facility provided by a German bank for a period of 10 years at a fixed interest rate of 1.8% per annum and an annual amortisation rate of 3%.

Acquisition of an office building complex in Oberursel

In March 2016, the Group acquired a three office building complex in Oberursel, a prosperous suburb of Frankfurt, for a total gross purchase price of € 25.5 million.

The complex has approximately 18,000 square meters of lettable area on approximately 19,000 square meters of land and is centrally located in a residential area. The properties are fully let at a WALL of 11.4 years and generate an aggregate net rent of approximately €1.8 million, reflecting a rental yield of 7.0% on the acquisition cost.

The acquisition was financed by the Group's own resources and by a €18.5 million loan facility provided by a German bank for a period of 10 years at a fixed interest rate of 2.26% per annum and an annual amortisation rate of 2.5%.

Following a preliminary assessment, we believe that there is an opportunity for further value enhancement by a residential development on undeveloped land within the site and by partly converting office spaces into residential units when and if they become vacant.

The German market

Germany is the fifth largest economy in the world and retains its position as the largest economy in Europe. The Gross Domestic Product of Germany grew by 1.7% in 2015 while its unemployment rate dropped from 4.8% in 2014 to 4.6% in 2015. The German economic stability in 2015 had a positive impact on demand for commercial real estate and tenants' willingness to commit to long term leases.

The continuation of low interest rate levels in 2015 remained the main reason for the increase in transaction volume in the German real estate market in 2015, especially driven by interest from institutional investors. The solid economy of Germany further stabilised its position as a dominant and main player in Europe and made real estate investments in Germany even more appealing. Germany has further established itself as an international market place for commercial properties, with more than 50% of the investment volume in 2015 derived from foreign capital.

The diversified investment trends seen in 2014 were maintained throughout 2015, with more investors prepared to invest in lower quality properties in less central locations. The top main cities (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) however, remained still favourable, accounting for 50% of the total transaction volume in the German real estate market.

As a result, in 2015 the German property market witnessed a new real estate investments record of €55.1 billion, reflecting an increase of 38% or €15.3 billion compared to €39.8 billion in 2014. The office investment market proved to be the most favourable as €23 billion of which (approximately 42%) was invested in office properties (an increase of 35% from 2014) and € 17 billion in retail properties. As a result of the increasing demand, the average yields in the office segment dropped further to 4.15% compared to 4.45% in 2014.

With no forecast for an increase in interest rates in Europe before the end of 2017, a further yield compression for office properties in 2016 is expected. Due to increasing demand for German real estate and the competition among credit providers, the yields for other asset classes could fall even further.



Frankfurt Westerbachstr 47

Report of the Directors

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 2015.

The Company

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

The Group owns, enhances and operates commercial real estate assets in Germany including office buildings, logistic centres 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.

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

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 a further 54,971,291 new ordinary shares were issued at a price of 63c. The gross proceeds amounted to €35 million. On 2 February 2015 the Company completed a further fund raising of 171,428,571 new ordinary shares issued at a price of 70c. The gross proceeds amounted to €120 million.

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 €63.4 million, representing an EPS of 13.3c per Ordinary Share (2014: €65.9 million, 23.7c per Ordinary Share).

At the year end the Group had net assets of €424.7 million (2014: €255.0 million), of which €409.5 million (2014: €244.7 million) was attributable to Ordinary Shareholders, equating to 88c per Ordinary Share (2014: 83c).

Further details on the Group results are described in the Chairman's and Managing Director's report.

Directors' and Other Interests

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

	<i>At 31 December 2015</i>	
	Ordinary Shares	
		% of issued
	Number	Share Capital
Zohar Levy ¹	141,966,000	30.50%
Itay Barlev (Braun) ²	-	-
Quentin Spicer ³	59,040	0.013%
Harry Hyman ⁴	100,000	0.03%
Christopher Spencer ⁵	-	-

¹ 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)).

² Appointed 1 November 2014

³ Appointed 14 February 2014

⁴ Appointed 14 February 2014

⁵ Appointed on 1 January 2015

Management

Summit Management Co S.A. ("SMC"), a Swiss company controlled by Zohar Levy, has provided portfolio management services to the Group since May 2006. For more details on the contract please see note 13 to the financial statements.

Under the management agreement, SMC is responsible for providing certain public company services and advisory services to the Group.

SMC receives 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 ("Maximum Bonus") depending on certain performance criteria, which together cover the remuneration of the Managing Director and Finance Director, if relevant, together with certain administrative and other costs of the Company.

The annual bonus is payable based on hurdles determined by the Remuneration and Nomination Committee. The bonus is payable if the Company's Funds From Operations ("FFO") is equal to or greater than 112% of the base FFO determined by the Remuneration and Nomination Committee of the Company for the applicable accounting year ("Base FFO").

Where the Company's FFO in the accounting year 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 incorporation of Summit Finance Ltd ("SFL") in respect of the same accounting year, provided that any Bonus shall not be reduced to less than zero.

As for the year ended 31 December 2015 the FFO criteria was met and following the approval the Remuneration and Nomination Committee the performance-based bonus of €750,000 has been paid.

Carried Interest

SMC holds special B shares in SFL, a Group subsidiary, 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. No amounts were ever due in respect of the aforementioned. As of 31 December 2015, the Shortfall is approximately €188.9 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

Going Concern and financing development

As at 31 December 2015, the Group's bank borrowings amounted to €323.8 million (2014: €276.6 million). The increase in the bank borrowings from 31 December 2014 to the balance sheet date resulted from the engagement of the Group in new financing transactions during the reporting period. After the end of the reporting period, the Group has been engaged in additional financing transactions in the amount of €29 million. Further information on the Group's financing transactions is detailed in the Chairman's and Managing Directors report and in Note 7 of the Group's financial statements.

In order to secure the low interest rate of the debt facilities over the long term, the Group entered into hedging arrangements, or alternatively agreed with the financing bank on a fixed interest rate for the remaining life of the new loans. In addition, in February 2015, the Group completed the early repayment of its shareholder loan, as described in note 13(a) of the Group's financial statements. As a result, the total interest costs decreased more than 50% during the reporting period and amounted to €10.2 million (2014: €20.9 million). The decrease in the interest rate further strengthens the Group's working capital.

The terms and covenants of the debt facilities are described in note 7 of Group's financial statements. As of the date of this report the Group is in compliance with all covenants.

In February 2014, the Group issued 54,971,291 new ordinary shares at a price of 63c. The gross proceeds amounted to €35 million. In February 2015 the Group completed its second fund raising at AIM of 171,428,571 new ordinary shares issued at a price of 70c. The gross proceeds amounted to €120 million. The net placing proceeds were applied to strengthen the Group's balance sheet and grow its property portfolio.

During the reporting period, the Group acquired new properties for a total consideration of approximately €95 million. After the end of the reporting period, the Group acquired properties for an additional €40.5 million. Further details on the Group's acquisitions is detailed in the Chairman's and Managing Directors report and in Note 5 of the Group's financial statements.

The Group's expanded property portfolio continues to generate a positive and stable cash flow that enables the Group to meet all of its obligations. 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 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 non-executive Directors.

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
- to 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, as amended.

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 3 May 2016.

Zohar Levy
Managing Director

Harry Hyman
Chairman



Carrée Seestraße GbR, Berlin

Chairman's Governance Report

Chairman's Governance Report

Upon admission, the Board 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 QCA's website at www.theqca.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 to the Board by way of a risk matrix highlighting the significant changes and their implications, and the recommended responses.

The evaluation helps manage and control risks rather than eliminate them. Note 18 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. In 2015 and the beginning of 2016, the Group entered into new financing agreements at a fixed low interest rate over the long term.

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. In 2015 the Group refinanced €33 million for a period of seven years and after the closing of the reporting period an additional ten years term refinancing took place at the total amount of €29 million.

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 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 and February 2015 raising a gross amount of €35 million and €120 million, respectively.

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 recognise 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 the portfolio. The measures taken against the exposure of tenants default include among others rent deposits or bank guarantees as well as periodical credit analysis when necessary.

Risk **Exposure to movements in supply and demand of the investment market**

Impact: Competition within the real estate market will lead to growing demand for real estate investments which may result in rising prices that will challenge the Company's possibilities for purchasing attractive yield properties.

Mitigation: The Company's internal management team is constantly considering new properties enabling the Company to hold a pipeline of new acquisition opportunities. The Board believes that the risks are reduced due to the Company's strong and professional local management platform, which enables the Company to move fast once a possible deal is identified. This risk is also reduced due to the opportunities arising to the Company in generating higher gains on its disposed properties.

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 makes efforts to get a period of holiday from loan to value covenant or to exclude it when entering new refinancing agreements. 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

The Board comprises two executive directors (Group Managing Director and the Group Finance Director) and three non-executive directors including the Chairman, whom the Board consider 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 and have a wide range of contacts in the market. The Managing Director has been involved with the Group activity for many years.

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 - 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 £1 billion 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. 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 - 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. 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.

Itay Barlev (Braun) - Executive Director - Finance Director

Itay Barlev (Braun), CPA, joined Summit Group in 2014 as the Finance Director of the Company. Itay has years of experience in reporting and budgeting, purchase and sale of real estate, internal control procedures and bank relations as well as various financial affairs of real estate portfolios. Until October 2014, he was the director of the Fishman Holdings Germany GmbH in Berlin for eight years. Previously he served as financial advisor in KPMG. Itay has a B.A. in Economics and Accounting (CPA) and M.A. in Legal Studies. He is a resident of Germany.

Quentin Spicer - 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 retired from the practice in 2011.

He is Chairman of a number of companies including Alternative Liquidity Fund Limited, Quintain Guernsey Limited and the Guernsey Housing Association LBG. He is former Chairman of F&C UK Real Estate Investments Limited and is 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 first admitted to trading on AIM in 2006 until it de-listed. He is a member of the Institute of Directors.

Christopher Spencer - Independent Non-Executive Director

Christopher Spencer, a resident of Guernsey, qualified as a chartered accountant in London in 1975. Following two years in Bermuda, he moved to Guernsey. Mr Spencer, who specialised in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000.

Mr. Spencer is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey Branch of the Institute of Directors. He is also a non-executive director of several other listed companies including John Laing Infrastructure Fund Limited, JP Morgan Private Equity Limited, Real Estate Credit Investments PCC Limited, Ruffer Investment Company Limited, and SQN Asset Finance Income Fund Limited.

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 affect 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.

During the year, the Board and its Committees held 16 meetings. Throughout the year there are opportunities for the Chairman and Independent Directors to discuss matters without the other Directors being present.

Attendance at scheduled meetings of the Board and its Committees in the 2015 financial year

	Board	Audit Committee	Remuneration and Nomination Committee
Number of meetings during the year	4	3	2
Harry Hyman	4	3	2
Itay Barlev (Braun)	4	N/A	N/A
Zohar Levy	4	N/A	1
Christopher Spencer	4	3	N/A
Quentin Spicer	4	3	2

In addition to these meetings, 7 ad-hoc board meetings were held during the year.

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 Christopher Spencer. He is supported by Harry Hyman and Quentin Spicer both independent non-executive directors.

Christopher Spencer is a qualified 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 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 makes recommendations to the Board on the appointment and dismissal of the external auditor and approval of 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 in February 2014. Since then its activity included:

- reviewing the Group's draft annual financial statements 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 financial statements;
- reviewing the Group's draft half year financial statements prior to discussion and approval by the Board, and reviewing the external auditor's reports thereon;
- 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 2015 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 audit process

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 2015, the primary risks identified were in relation to the valuation of the property portfolio, accounting of the loan acquisition and property acquisition transactions and financing. The Board and the management take responsibility for exercising judgment when necessary in preparing the Annual Report and Financial Statements.

Management prepares and reviews 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 Half-year 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 €731.7 million as detailed on the Group Balance Sheet. As explained in note 5B to the financial statements, properties are independently valued by an 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.

Loan acquisition and property acquisition transactions

In July 2015 the Group completed the purchase of a loan facility on a portfolio of six, previously owned, commercial properties in Germany at a total cost of the acquisition of approx. €40 million. In August 2015, the Group completed the acquisition of an office building complex in Stuttgart at a total gross purchase price of approx. €55 million.

The Audit Committee has reviewed the transactions as part of reviewing the Group's draft half year financial statements 2015 and reviewed the external auditor's reports thereon. The Audit Committee discussed with the management the judgments and assumptions concerning the accounting treatment of the transaction (specifically whether the transaction was a business combination or asset acquisition) and concluded that treatment was appropriate.

Financing

The Group undertook a number of financing transactions during the year. In February 2015 the Group raised €120 million following an equity issue, following which, the Group repaid its shareholders loan of approx. €50 million in the first quarter of the year. In March 2015, the Group refinanced 9 out of the 11 commercial properties, acquired in April 2014 by a €33 million debt facility provided by a German bank. Post balance sheet, the Group refinanced its post balance sheet acquisitions with debt facilities at the amount of €29 million. These transactions served to diversify the Group's funding sources leading to reduced overall risk.

The Audit Committee has reviewed the transactions as part of reviewing the Group's draft year-end financial statements 2015 and reviewed the external auditor's reports thereon. The Audit Committee discussed with the management the judgments and assumptions concerning the accounting treatment of the transactions and concluded that treatment was appropriate.

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 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 Harry Hyman, 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 for determining and agreeing 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;
- Establishing an appropriate process for the review, management and monitoring of the Group's remuneration policies and nomination criteria; and
- Considering the appointment of Directors.

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.

An evaluation of the Board's performance was conducted in 2015 and included questions on different aspects of the operation of the board and its committees and the performance of individual directors. Based upon the results of the evaluation, it was concluded that the board and its committees are operating effectively and that the individual directors' performance is effective and demonstrates the level of commitment expected by Company.

Board and management remuneration

During the reporting period the Group expensed approximately €165,000 to its directors, and €1,412,000 as management fee.

Directors fees paid for the year ended 31 December 2015 were as follows:

Director	Euros
Harry Hyman	67,283
Quentin Spicer	38,531
Itay Barlev (Braun)	27,500
Chris Spencer	31,784
Zohar Levy*	-
	165,098

* Zohar Levy is paid via the management fee paid to Summit Management Company.

On Admission the Group 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. No grants were made in 2015.

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 2015. 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,

3 May 2016

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Administrator

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Group Financial statements

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 2015 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 21. 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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
May 3, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31		2015	2014
	<i>Note</i>	<i>Euro (in thousands)</i>	
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	<i>5</i>	731,748	582,572
Other long-term assets	<i>6</i>	13,191	10,898
Deferred tax assets	<i>17</i>	485	565
Total non-current assets		<u>745,424</u>	<u>594,035</u>
CURRENT ASSETS:			
Cash and cash equivalents	<i>10</i>	33,583	9,737
Trade receivables, net	<i>8</i>	1,584	2,347
Prepaid expenses and other current assets	<i>9</i>	7,249	4,915
Receivables from related parties	<i>13</i>	243	191
Investment property held for sale	<i>5</i>	3,582	1,760
Total current assets		<u>46,241</u>	<u>18,950</u>
Total assets		<u><u>791,665</u></u>	<u><u>612,985</u></u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31		2015	2014
	<i>Note</i>	<i>Euro (in thousands)</i>	
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	<i>11</i>	(*) -	(*) -
Distributable reserve		397,981	296,643
Reserves due to transactions with principal shareholder		2,216	2,216
Net unrealized gain reserve		(2,190)	(5,562)
Retained losses		11,477	(48,594)
Equity attributable to the owners of the Company		<u>409,484</u>	<u>244,703</u>
Non-controlling interests		15,218	10,326
Total equity		<u>424,702</u>	<u>255,029</u>
NON-CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	<i>7</i>	316,765	272,594
Shareholders' loans	<i>13</i>	-	36,232
Other long-term financial liabilities	<i>6</i>	2,052	2,220
Derivative financial liabilities	<i>18</i>	3,614	3,969
Deferred tax liability	<i>17</i>	13,377	6,188
Total non-current liabilities		<u>335,808</u>	<u>321,203</u>
CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	<i>7</i>	7,075	4,007
Derivative financial liabilities	<i>18</i>	1,478	1,086
Payables to related parties	<i>13</i>	2,350	8,438
Current tax liabilities		89	60
Trade and other payables	<i>14</i>	20,163	23,162
Total current liabilities		<u>31,155</u>	<u>36,753</u>
Total liabilities		<u>366,963</u>	<u>357,956</u>
Total equity and liabilities		<u>791,665</u>	<u>612,985</u>
NAV/Share (cent)	<i>11</i>	<u>88</u>	<u>83</u>
EPRA NAV/Share (cent)	<i>11</i>	<u>92</u>	<u>87</u>

(*) No par value.

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

May 3, 2016

Date of approval of the
financial statements

Zohar Levy
Managing Director

Itay Barlev (Braun)
Finance Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Year ended December 31		2015	2014
	<i>Note</i>	<i>Euro (in thousands)</i>	
Rental income		49,578	43,363
Operating expenses		<u>(3,824)</u>	<u>(3,505)</u>
Gross profit		45,754	39,858
General and administrative expenses	15	(6,784)	(6,289)
Fair value adjustments of investment properties	5	55,293	34,669
Other (expenses) income		<u>(1,588)</u>	<u>5,106</u>
Operating profit		<u>92,675</u>	<u>73,344</u>
Financial income	16	1,314	30,085
Financial expenses	16	<u>(23,060)</u>	<u>(29,450)</u>
Total financial (expenses) income		<u>(21,746)</u>	<u>635</u>
Profit before taxes on income		70,929	73,979
Tax expenses	17	<u>(7,462)</u>	<u>(3,098)</u>
Profit for the year		<u>63,467</u>	<u>70,881</u>
Other comprehensive income and expenses:			
Items that may be reclassified subsequently to profit or loss:			
Net gain (loss) arising on revaluation of available-for-sale financial assets		(46)	(23)
Reclassification to profit and loss of ineffective hedging reserve, net		3,596	7,220
Net loss on hedging instruments entered into for cash flow hedges		<u>(181)</u>	<u>(9,254)</u>
Other comprehensive income (loss) for the year, net of tax		<u>3,369</u>	<u>(2,057)</u>
Total comprehensive income for the year		<u>66,836</u>	<u>68,824</u>
Profit for the year attributable to:			
Owners of the Company		60,071	67,655
Non-controlling interests		<u>3,396</u>	<u>3,226</u>
		<u>63,467</u>	<u>70,881</u>
Total comprehensive income attributable to:			
Owners of the Company		63,443	65,861
Non-controlling interests		<u>3,393</u>	<u>2,963</u>
		<u>66,836</u>	<u>68,824</u>
Earnings Per Share:			
Basic (Euro per share)	12	<u>0.133</u>	<u>0.237</u>
Diluted (Euro per share)		<u>0.133</u>	<u>0.237</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital (Note 11)	Share premium (Note 11)	Distribution Reserve (Note 11)	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, 2014	(*) -	-	270,569	2,216	(3,768)	(116,249)	152,768	7,363	160,131
Profit for the year	-	-	-	-	-	67,655	67,655	3,226	70,881
Other comprehensive income for the year, net of income tax (**)	-	-	-	-	(1,794)	-	(1,794)	(263)	(2,057)
Total comprehensive profit (loss)	-	-	-	-	(1,794)	67,655	65,861	2,963	68,824
Dividend distribution (note 11e)	-	-	(4,850)	-	-	-	(4,850)	-	(4,850)
Issue of shares, net of expenses (note 11c)	-	-	30,924	-	-	-	30,924	-	30,924
Balance at December 31, 2014	(*) -	-	296,643	2,216	(5,562)	(48,594)	244,703	10,326	255,029
Profit for the year	-	-	-	-	-	60,071	60,071	3,396	63,467
Other comprehensive profit (loss) for the year, net of income tax (**)	-	-	-	-	3,372	-	3,372	(3)	3,369
Total comprehensive profit (loss)	-	-	-	-	3,372	60,071	63,443	3,393	66,836
Dividend distribution (note 11e)	-	-	(14,886)	-	-	-	(14,886)	-	(14,886)
Issue of shares, net of expenses (note 11d)	-	-	116,224	-	-	-	116,224	-	116,224
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	1,499	1,499
Balance at December 31, 2015	(*) -	-	397,981	2,216	(2,190)	11,477	409,484	15,218	424,702

(*) No par value.

(**) Mainly other comprehensive profit results from the ineffectiveness of certain derivatives for more information see note 16.

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

Summit Germany Limited Annual Report: 31 December 2015

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Year ended December 31	2015	2014
	<i>Euro (in thousands)</i>	
Cash flows from operating activities:		
Profit for the year	63,467	70,881
Adjustments for:		
Deferred taxes	7,308	2,928
Sale of subsidiaries	(169)	(593)
Financial expenses (income), net	21,915	(42)
Fair value adjustment of investment properties	(55,293)	(34,669)
Depreciation of property, plant and equipment	32	48
Amortisation and impairment of intangible assets	(1,621)	(839)
	<u>(27,828)</u>	<u>(33,167)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	805	(570)
(Decrease) increase in trade and other payables	(3,188)	(203)
Increase in payables to related parties and shareholders	3,807	3,545
Decrease (Increase) in prepaid expenses and other current assets	(58)	807
Increase (decrease) in other non-current liabilities	1,027	(668)
	<u>2,393</u>	<u>2,911</u>
Net cash flows provided by operating activities	<u>38,032</u>	<u>40,625</u>
Cash flows from investing activities:		
Payments for property, plant and equipment	(19)	(34)
Net cash outflow on acquisition of asset companies	(24,999)	-
Proceeds from sale of marketable securities	-	3,973
Proceeds from the sale of financial participations	330	1,075
Change in deposits	(2,194)	5,795
Increase in loan to third party	(1,029)	(1,108)
Payments for acquisitions of investment properties	(44,581)	(48,509)
Proceeds from sale of investment property	2,003	-
Interest income received	6	105
Net cash flows (used) provided by investing activities	<u>(70,483)</u>	<u>(38,703)</u>
Cash flows from financing activities:		
Proceeds from borrowings from banks	30,981	240,000
Net (repayments) proceeds from borrowings from related parties	(61,296)	2,799
Repayment of borrowings	(8,031)	(265,666)
Interest expense paid	(9,176)	(16,741)
IPO expenses paid	(290)	-
Net proceeds from issue of shares	116,224	30,924
Dividend distribution	(12,114)	(3,465)
Cost of raising loans paid	-	(4,229)
Net cash flows used in financing activities	<u>56,298</u>	<u>(16,378)</u>
Increase (decrease) in cash and cash equivalents	23,847	(14,456)
Cash and cash equivalents at beginning of the year	9,736	24,192
Cash and cash equivalents at end of the year	<u>33,583</u>	<u>9,736</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: GENERAL

- A. Summit Germany Limited (the “Company”) and its subsidiaries (together: the “Group”) is a German property specialist company. 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 Group 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Consolidated Financial Statements have been prepared under Going Concern basis after management and Board of Directors carefully considered relevant factors underlying Group's financial position.

The consolidated financial statements have been prepared on the historical cost basis except for investment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Basis of preparation (Cont.):

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, except 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 a 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Basis of consolidation (Cont.):

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.

Business combinations and goodwill:

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 measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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:

Rental income:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Revenue recognition: (Cont.)

Interest income:

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.

Foreign currencies:

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency, which is Euro, 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, 2015 is 15.825% (December 31, 2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Taxes (Cont.):

Deferred tax (Cont.):

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.

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, unquoted financial instruments, and derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Financial assets (Cont.)

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.

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 consolidated statement of comprehensive income. Fair value is determined in the manner described in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Financial assets (Cont.)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Financial liabilities (Cont.)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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 re-measured 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 recognised in Other Comprehensive Income. Any gain or loss which is not qualified for hedge accounting is recognised in profit and loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Hedges which meet the 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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.

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, 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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. In previous years 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.

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 17).

Acquisition of assets

In regard to the transactions detailed in note 5, the Group management and the Directors have reviewed the characteristics of the transaction and the properties over which control was regained by the Group, in accordance with the requirements of IRFS3(R). Although control over corporate entities was gained as a result of the transaction, these entities were special purpose vehicles for holding properties rather than separate business entities – this judgment was made mainly due to the absence of business processes inherent in these entities. Consequently, the Directors consider that the transaction meets the criteria of acquisition of assets and liabilities rather than business combination, and accounted for the transaction as such.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

A. Application of new and revised international Financial Reporting Standards (IFRSs)

1. 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 |
| • IFRS 15 | Revenue from Contracts with Customers ² |
| • IFRS 16 | Leases |
| • Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ¹ |
| • Amendments to IAS 1 | Disclosure Initiative ¹ |
| • Amendments to IAS 16 And IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ¹ |
| • Amendments to IFRS 16 And IAS 41 | Agriculture: Bearer Plants ¹ |
| • Amendments to IFRS 10 And IAS 28 | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| • Amendments to IFRS 10 And IFRS 12 And IAS 28 | Investment Entities: Applying the Consolidation Exceptions ¹ |
| • Amendments to IFRSs | Annual Improvements to IFRSs 2012-2014 Cycle ¹ |

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2018, with earlier application permitted.

IFRS 9 Financial Instrument

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

A. Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)

2. New and revised IFRSs in issue but not yet effective (Cont.)

IFRS 9 Financial Instrument (cont.)

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS9, 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 or 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.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

A. Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)

2. New and revised IFRSs in issue but not yet effective (Cont.)

IFRS 9 Financial Instrument (Cont.)

Key requirements of IFRS 9 (Cont.):

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contracts(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

A. Application of new and revised international Financial Reporting Standards (IFRSs) (Cont.)

2. New and revised IFRSs in issue but not yet effective (Cont.)

IFRS 15 Revenue from Contracts with Customers (Cont.)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 Introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5: INVESTMENT PROPERTIES**A. Changes in years 2014 and 2015**

	Euro in thousands
Balance at January 1, 2014	501,154
Additions during the year (C)	48,509
Classification to property held for sale (D)	(1,760)
Fair value adjustments during the year (*)	34,669
Balance at December 31, 2014	582,572
Additions during the year (C)	97,708
Disposals during the year	(243)
Reclassification to property held for sale (D)	(3,582)
Fair value adjustments during the year (*)	55,293
Balance at December 31, 2015	731,748

(*) Including the revaluation of properties acquired during the reporting period, as described in Note 5C.

B. Fair value measurement of investment properties (Level 3 classification)

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

The valuation is performed using the income capitalisation method, which is a valuation model based 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 reflect 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 €4-20 per month per square meter; for retail properties, between €4-26 per month per square meter; for logistics properties between €2-16 per month per square meter. For office, commercial and logistics properties, discounted rates range between 5.5 % -10.0%.

In estimating the fair value of the properties, the highest and the best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5: INVESTMENT PROPERTIES (Cont.)

B. Fair value measurement of investment properties (level 3 classification) (cont.)

1. (Cont.)

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.

2. Supplemental information

Lettable area

	As December 31, 2015				As December 31, 2014			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Sqm				Sqm			
	506,666	256,942	93,292	856,900	375,485	257,125	97,676	730,286
Percent of total assets	59%	30%	11%	100%	52%	35%	13%	100%

Fair value – analysis by use

	As December 31, 2015				As December 31, 2014			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	533,175	115,040	87,114	735,329	385,072	113,314	85,946	584,332
Percent of total assets	72%	16%	12%	100%	66%	19%	15%	100%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5: INVESTMENT PROPERTIES (Cont.)

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

2. Supplemental information (cont.)

NOI – analysis by use

	As December 31, 2015				As December 31, 2014			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	30,720	8,441	6,593	45,754	24,533	8,382	6,943	39,858
Percent of total assets	67%	19%	14%	100%	62%	21%	17%	100%

Adjustment to fair value – analysis by use

	As December 31, 2015				As December 31, 2014			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	49,789	1,501	4,003	55,293	31,834	97	2,738	34,669
Percent of total assets	96%	3%	1%	10%	92%	-	8%	100%

Average rent

	Offices		Logistic		Retail	
	As December 31,					
	2015	2014	2015	2014	2015	2014
€/sqm/month	7.9	8	3.4	3.3	7.9	7.9
Range €	(4.1-20.1)	(3.5-21.6)	(2.3-5.2)	(2.3-5.2)	(3.5-25.7)	(3.9-25.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions

1. The Group previously owned two portfolios over which, in 2012, the Group lost control due to breach of covenants (LTV). The relevant properties, which have been structurally ring-fenced, were then deconsolidated. In April 2014, the Group completed an acquisition of a loan facility that financed one of these previously owned portfolios, which was secured by 11 commercial properties in Germany. The total cost of the acquisition was approximately €45 million plus transaction costs. On acquisition of the loan facility, the Group gained full control over the 11 properties and thus, these were consolidated from the date of acquisition (see note 3 for details of the accounting treatment). The properties were revaluated to €73 million. Profit from revaluation of properties of approximately €28 million was recognized in the Fair Value of Investment Properties line item. On acquisition, the portfolio comprised mainly office properties throughout Germany. It has an aggregate Net Lettable Area of ca. 90,000 sqm and a current occupancy rate of 71%. The properties generate an aggregate Net Annual Rent of approximately €6.3 million.

The above transaction was initially financed by Group funds. In March 2015 it was replaced with a 7 year term debt facility received from a German bank for 9 of the 11 portfolio properties, as further detailed in note 7B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions (Cont.)

2. In July, 2015 the Group completed an acquisition of a loan facility of a portfolio of 6 office properties in Germany, at total acquisition costs of approximately €40 million plus minor deal expenses. The properties were part of the second portfolio mentioned under section 1. As a result of the acquisition of the loan facility, the Group regained full control over the aforementioned six properties and consolidated them from the date of acquisition (see note 3 for details of the accounting treatment). The acquired portfolio has a lettable area of 63,000 sqm at an occupancy rate of 72% and it generates an aggregate annual net rent of approximately €5.5 million.

The revaluation of the properties resulted in a revaluation profit of approximately €42 million, which was recognized in the income statement under Fair Value of Investment Properties.

3. During the third quarter of 2015 the Group has acquired a 135,000 sqm complex of office buildings in Stuttgart, Germany, for a total acquisition cost of approximately €55 million. The 135,000 sqm complex includes 63,000 sqm of lettable area at an occupancy rate of 95% and rights for further development of additional 55,000 sqm. It generates an aggregate annual net rent of approximately €4.5 million.

Additions after the end of the reporting period:

4. In January 2016 the Group acquired two office buildings in Germany for a total acquisition cost of €15 million. The acquisition was financed by the Group's own resources and by a €10.5 million loan facility provided by a German bank for a period of 10 years at a fixed interest rate of 1.8% per annum and an annual principal repayment rate of 3%. The properties with a lettable area of 12,000 square meters generate an aggregate net rent of € 1.2 million per annum.
5. In March 2016 the Group acquired a complex of three office buildings in Oberursel, Germany, for a total price consideration of €25.5 million. The acquisition was financed by the Group's own resources and by a €18.5 million loan facility provided by a German bank for a period of 10 years at a fixed interest rate of 2.26% per annum and an annual principal repayment rate of 2.5%. The complex with a lettable area of 18,000 square meters generates an aggregate net rent of € 1.8 million per annum.

- D. As of 31 December, 2014 properties valued at approximately €1.8 million were reclassified as held for sale. During the reporting period the properties were sold for a consideration similar to their carrying amount. As of 31 December, 2015 properties valued at approximately 3.6 million were reclassified as held for sale. After the end of the reporting period these properties were sold for a consideration similar to their carrying amount.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 6: OTHER LONG-TERM ASSETS

	December 31,	
	2015	2014
	Euro in thousands	
<u>Other long-term financial assets:</u>		
Available-for-sale investment – unquoted equity shares ⁽¹⁾	2,250	2,456
Long-term loans receivable ⁽²⁾	10,292	7,221
Other financial assets	545	1,099
Total long term financial assets	13,087	10,776
<u>Other long-term non-financial assets</u>	104	122
<u>Other long-term financial liabilities:</u>		
Other Financial liabilities	2,052	2,220

(1) Available-for-sale investment -unquoted equity shares:

Investments in Ordinary shares in related companies. Group interests in these 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 at the end of the reporting period is based on the market values of the companies' investments in real estate.

In April, 2014 the Group sold part of this investment for a consideration of €1.1 million. The carrying amount of the relevant investment was €0.6 million.

(2) Long-term loans receivable

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 the accrued interest are repayable from the revenues of the projects, in May 2016, however the final payment date is expected to be prolonged and therefore, these are presented in long-term assets.

Up to December 31, 2015, the Group has provided funding at a total amount of approximately €6.8 million and accrued the related interest.

To secure the recoverability of these loans, the Group 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 committed 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 the entrepreneurial companies without the consent of the Group.

In 2014 the Group agreed to subordinate the loan it provided, in favour of a bank financing which was required for the projects.

The projects, which include 131 residential units in total, are at different development stages. The first project of 56 residential units is approximately 98% sold and its construction is expected to be completed in a few months. The construction of the second project has already begun and 67% of its 39 residential units are sold. The third project of 35 residential units is approximately 51% sold and its construction is expected to begin within the next few months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7: INTEREST - BEARING LOANS AND BORROWING**Interest-bearing loans and borrowings (net of cost of raising loans):**

	<u>Effective interest rate</u>	<u>Maturity</u>	<u>31 December</u>	
			<u>2015</u>	<u>2014</u>
	<u>%</u>		<u>Euro in thousands</u>	
Current:				
Current maturities of long term loans	(*)1.5-3.14	2016	<u>7,075</u>	<u>4,007</u>
Non-current:				
Secured bank loans	(*)1.5-3.14	(**)2017-2022	<u>316,765</u>	<u>272,594</u>

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

(**) Amount of €227 million matures in 2021.

- A.** In December 2014 the Group refinanced a €240 million non-recourse debt provided by the Royal Bank of Scotland with two German banks. The new seven years term debt facility has been provided at an interest rate of 3.4% per annum and an amortization rate of 3% per annum. The Group entered into new hedging arrangements with the lenders (as per the requirement of the financing agreements) for a full cash flow hedge of floating interest. The loan agreement includes various covenants, including LTV, Debt-To-Rent and WAULT⁽¹⁾. To the date of this report the Company complies with all of them. For more information see Note 7B of the 2014 annual financial statements.

⁽¹⁾ WAULT - Weighted average unexpired lease term, the WAULT is the sum of the remaining fixed lease of the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7: INTEREST - BEARING LOANS AND BORROWING (Cont.)

B. In March 2015, the Group financed 9 out of 11 commercial properties acquired in April 2014. The loan was provided by a German bank at an interest rate of 1.96% per annum and amounts to €33 million, of which €2.5 million are subject to the future extension of certain leases. The seven year facility bears an amortization rate of 3% resulting in a repayment amount of approximately €24 million in March 31, 2022.

Throughout the term of the loan, the borrowing entities are obliged to comply with the following covenants:

- LTV (Loan to Value) of 65%.
- Debt service coverage ratio ("DSCR") of 125%.
- WAULT -a weighted average lease remaining term - of at least 3 years.

To the date of this report the Company complies with all of them.

C. During the third quarter of 2015, as part of the acquisition of the complex of office buildings in Stuttgart, Germany, as detailed in Note 5, the company acquired the €25 million non-recourse debt facility, which was secured by the property.

The loan, which has been provided by a German bank at an annual interest rate of Euribor+1.5% bears an annual amortization rate of 4% and matures in October 2019.

A DSCR covenant of 125% is to be complied throughout the term of the loan.

D. To the date of this report the borrowing entities comply with all the covenants set in its financing agreements.

E. The outstanding costs of raising loans as of December 31, 2015 are €3.8 million (2014: €4 million). These are presented net of interest-bearing loans and borrowings and amortised over the period of the loans.

F. In February 2015, the Group completed the early repayment of the shareholder loan. For further details please see note 13(a).

G. After the end of the reporting period, the Group entered into several financing agreements to finance the properties acquired after the end of the reporting period. For more information see note 5 and note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8: TRADE RECEIVABLES

	December 31,	
	2015	2014
	Euro in thousands	
Trade receivables	3,532	4,793
Provision for doubtful debts	(1,948)	(2,446)
	1,584	2,347

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	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day	>120 days
	Euro in thousands					
2015	1,584	429	477	57	93	528
2014	2,347	1,462	361	264	99	161

Movements in the provision for doubtful debts:

	Euro in thousands
At January 1, 2014	1,253
Charge for the year	1,200
Utilised	(37)
Acquisition of portfolio assets	30
At December 31, 2014	2,446
Charge for the year	240
Utilised	(738)
At December 31, 2015	1,948

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31,	
	2015	2014
	Euro in thousands	
Prepaid expenses	1,294	1,065
Service charge	3,761	3,850
Designated cash	2,194	-
	7,249	4,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10: CASH AND CASH EQUIVALENTS

	December 31,	
	2015	2014
	Euro in thousands	
Cash at banks	33,583	9,736
	33,583	9,736

NOTE 11: SHARE CAPITAL

- A.** The authorised share capital of the Group is represented by an unlimited number of Ordinary shares with no par value:

	Issued and outstanding Number of shares
At January 1, 2014	239,000,000
Issue of shares (c)	54,971,291
At December 31, 2014	293,971,291
Issue of shares (d)	171,428,571
At December 31, 2015	465,399,862

B. Distributable reserve:

The directors have elected to transfer all premiums arising from the issue of ordinary shares by the Company to a distributable reserve.

In accordance with the Companies (Guernsey) law, 2008, any distribution is subject to a solvency test to determine whether the Company is able to distribute funds to shareholders.

- C.** In February 2014, the Company issued 54,971,291 new ordinary shares at a price of 63c on the AIM Market of London Stock Exchange. 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 proceeds amounted to €31 million.
- D.** In February 2015, the Company issued 171,428,571 ordinary shares at a price of 70c by way of placing on the AIM market of the London Stock Exchange resulting in a raise of €120 million (excluding raising costs of approximately €4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11: SHARE CAPITAL (Cont.)**E. Distribution of dividends:**

Following the Company's Admission to AIM, the Company has adopted a quarterly dividend policy.

During 2014 the Company distributed dividends in amounting to €4.8 million.

In January 2015, the Company declared a dividend of 1.2 cent per share. The total amount of €3,528 million was paid to the shareholders in March 2015.

In April 2015, the Company declared a dividend of 0.77 cent per share. The total amount of €3,584 million was paid to the shareholders in June 2015.

In July 2015, the Company declared a dividend of 0.77 cent per share. The total amount of €3,584 million was paid to the shareholders in August 2015.

In October 2015, the Company declared a dividend of 0.9 cent per share. The total amount of €4,189 million was paid to the shareholders in November 2015.

After the reporting date, in March 2016, the Company declared a dividend of 0.95 cent per share. The total amount of €4,422 million was paid to the shareholders in April 2016.

F. NAV and EPRA NAV:

	As of December 31, 2015		As of December 31, 2014	
	€, thousands	€, per share	€, thousands	€, per share
NAV (a)	409,484	0.88	244,703	0.83
Financial derivatives (c)	5,092		5,055	
Deferred Tax, net	12,892		5,623	
EPRA NAV (b)	427,468	0.92	255,381	0.87

(a) Net Asset Value

(b) EPRA NAV is calculated based on the NAV excluding the effect of deferred taxes and the value of hedging instruments.

(c) Excluding Forex in respect of the shareholder's loan repaid during 2015.

G. During April 2015, the Company was notified that Mr Harry Hyman Non-Executive Chairman of the Company purchased 25,000 Ordinary Shares of No Par Value in the Company at a price of 90.6 cent per share. Following the purchase, Mr Hyman holds 125,000 Ordinary Shares of No Par Value, representing 0.026% of the issued share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12: EARNINGS PER-SHARE

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

	Year ended December 31,	
	2015	2014
	Euro in thousands	
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	67,071	67,655

	Year ended December 31,	
	2015	2014
	In thousands	
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	450,329	285,514

	Year ended December 31,	
	2015	2014
Earnings Per Share:		
Basic (Euro per share)	0.133	0.237
Diluted (Euro per share)	0.133	0.237

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

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Amounts owed by related parties		Amounts owed to related parties	
	December 31		December 31	
	2015	2014	2015	2014
	Euro in thousands		Euro in thousands	
Loan from related party (a)	-	-	-	44,464
Related parties (b)	243	191	2,350	8,438
	243	191	2,350	52,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

- (a) In February 2015, the Company exercised an option for an early repayment of the loan from SHL, its parent company ("Shareholder Loan"). The loan was provided by SHL in 2013 in order to finance an acquisition of part of the RBS debt, as detailed in Note 7a and 7c to the 2014 financial statements. The annual loan interest was 9.5% and the loan agreement included various financial covenants.

Following exercise of the early repayment option, the Company has fully repaid the Shareholders Loan at the beginning of the reporting period, including its outstanding interests as of the day of repayment and an early repayment fee which amounted to approximately €4.5 million (recognised as financing expense in the profit and loss).

- (b) The balance as at 31 December 2014 includes:

1. Amounts due to SHL, of approximately €7.5 million, out of which:
 - €4.5 million are due to SHL from a cash injection to SGL, to finance the RBS refinancing transaction discussed in note 7.
 - €1.4 million due to dividends payable in 2014.
 - €1.6 million due to other transactions with SHL during 2014.
2. Provision for management fees to the management company amount to €250 thousands (2014: 970 thousands including performance based compensation, according to management agreement).

- (c) In April 2014, the company Board of Directors approved a one-time bonus to the Company's Finance Director and to one of the Company's Directors in amount of €50 thousand Euros each, for their contribution to the IPO in February 2014.

- (d) Compensation of key management personnel of the Company:

	2015	2014
	Euro in thousands	
Professional fees to directors	236	170
Management fees	1,412	1,805
Total compensation paid to key management personnel	1,648	1,975

Assets Management Company and ultimate controlling party:

At the date of this report Summit Real Estate Holdings Ltd which holds approximately 50.01% of the Ordinary shares in the Company. SHL is under the control of Mr. Zohar Levy, a 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. The terms of this appointment were revised in February 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

Terms and conditions of the management agreement

The management agreement was amended in February 14, 2014 in preparation for Admission to AIM. According to the amendment of the agreement, 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.

Since the Admission of the company, SMC is entitled to an advisory fee equal to €750,000 per annum, payable quarterly, and to a performance-based bonus of up to €750,000 per annum depending on certain performance criteria (as detailed below). The advisory fee reflects the asset management costs on the level of SMC including the cost of employment of the Managing Director and the Finance Director, if relevant, together with certain administrative and other costs of the company.

The annual bonus may be payable in each accounting year, where the amount of €750,000 is the "**Maximum Bonus**" based on hurdles to be determined by the remuneration and nomination committee of the Group. The bonus shall be payable if the Group's Funds From Operations ("**FFO**") is equal to or greater than 112% of the FFO determined by remuneration and nomination committee of the Group for the applicable accounting year ("**Base FFO**"). Where the Company's FFO in the accounting year 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.

As at December 31, 2015 the performance criteria were met and following the approval of the remuneration and nomination committee of the Group, the performance-based bonus of €750,000 has been paid by the Group.

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 December 31, 2015, the Shortfall is approximately €188.9 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

(d) Compensation of key management personnel of the Company (Cont.):

Terms and conditions of the management agreement (Cont.)

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 Group is a party from time to time.

NOTE 14: TRADE AND OTHER PAYABLES

	December 31,	
	2015	2014
	Euro in thousands	
Accrued expenses	2,225	2,726
Accrued interest	1,621	1,995
Service charge prepayments	3,052	3,648
VAT	505	648
Provision for maintenance	7,785	4,336
Other trade payables (*)	4,975	9,809
	<u>20,163</u>	<u>23,162</u>

(*) As of December 31, 2014 other trade payables include current maturities of SHL loan in the amount of €6.5million. During 2015, the SHL loan has been fully repaid, as described in note 13.

NOTE 15: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended	
	December 31,	
	2015	2014
	Euro in thousands	
Management and directors' fees (a)	1,648	1,975
Professional fees (b)	1,491	1,005
Salaries	2,687	2,442
Administration fees	172	89
Other expenses (income)	577	607
Office expenses	209	171
	<u>6,784</u>	<u>6,289</u>

- (a) See note 13 for details of the amendment to the management agreement signed in February 2014.
- (b) Professional fees include audit fees in the amount of €372 thousand (2014: €360 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16: FINANCIAL EXPENSES (INCOME)

	Year ended	
	December 31,	
	2015	2014
	Euro in thousands	
Financial expenses:		
Interest on bank borrowings	10,177	20,903
Amortisation of cost of raising loans	775	690
Reclassification of hedging reserve (hedging of loans interest) (a)	-	7,220
Expenses on currency exchange (b)	3,516	-
Release of hedging reserve (hedging of foreign exchange – shareholder loan) (b)	3,596	-
Early repayment penalty (b)	4,446	-
Other	550	637
Total financial expenses	23,060	29,450
Financial income:		
Interest income on short-term deposits	6	105
Income from refinancing (see note 7B)	-	13,496
Hedging reserve	-	11,661
Income from marketable securities	-	1,340
Income on currency exchange	-	1,913
Other	1,308	1,570
Total financial income	1314	30,085

- (a) As a result of new hedging agreements signed in December 2014 as part of the refinancing transaction (note 7) the hedging reserve which was outstanding as of the refinancing transaction date was reclassified to the profit and loss, in amount of €7.2 million. The total effect of the swap transactions detailed above on the financial statements sums up to approximately €4.5 million financial income.
- (b) Non-recurring expenses as a result of the repayment of the Shareholders Loan, as described in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17: TAXATION**A) Taxes on income recognized in the consolidated statement of comprehensive income:**

	Year ended December 31,	
	2015	2014
	Euro in thousands	
<u>Current income tax:</u>		
Current income tax charge	154	171
<u>Deferred income tax (See C):</u>		
Relating to origination and reversal of temporary differences	7,308	2,927
Income tax expense reported in the statement of comprehensive income	7,462	3,098

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,	
	2015	2014
	Euro in thousands	
Profit before taxes on income	70,929	73,979
Tax at the statutory tax rate in Germany (15.825%)	11,225	11,707
Increase (decrease) in respect of:		
Losses for which deferred taxes were not recorded	481	14,356
Utilisation of tax losses for which deferred tax were not recorded in the past	-	(1,231)
Effect of lower tax rate	(3,359)	(12,908)
Deferred taxes not recognised due to revaluation of investment properties and other income	-	(4,394)
Non-deductible expense	365	(2,752)
Deferred tax reverse	-	815
Difference between tax and reporting GAAP	(583)	(3,286)
Adjustments in respect to current income tax of previous years	-	-
Other	(667)	791
Income tax expense	7,462	3,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17: TAXATION (Cont.)

C) Deferred income tax:

	Consolidated statement of financial position	
	2015	2014
	Euro in thousands	
<u>Deferred tax asset (liability)</u>		
Revaluations of investment properties to fair value	(20,661)	(12,095)
Losses carried forward	6,889	5,272
Revaluations of financial instruments	235	196
Provisions	548	706
Other	97	298
Deferred tax assets (liabilities), net	<u>(12,892)</u>	<u>(5,623)</u>

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	
	2015	2014
	Euro in thousands	
Deferred tax asset	485	565
Deferred tax liability	<u>(13,377)</u>	<u>(6,188)</u>

	Consolidated statement of comprehensive loss (income)	
	2015	2014
	Euro in thousands	
<u>Deferred tax asset (liability)</u>		
Revaluations of investment properties to fair value	8,567	2,592
Losses carried forward	(1,617)	(949)
Revaluations of intangible assets	100	100
Revaluations of financial instruments	-	1,056
Provisions	258	128
Other	-	-
Increase in deferred tax, net	<u>7,308</u>	<u>2,927</u>

	Other comprehensive loss	
	2015	2014
	Euro in thousands	
<u>Deferred tax asset (liability)</u>		
Revaluations of financial instruments	(39)	196
Increase in deferred tax, net	<u>(39)</u>	<u>196</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17: 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)** Group's carried forward tax losses for which deferred taxes were not recognized, are €51 million Euros, (during 2014: €81 million).

NOTE 18: 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 7.

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, 2015 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, 2015

NOTE 18: 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	
2015	179	(179)
2014	(850)	850

- **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 analysis below has 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	
2015	86	(86)
2014	62	(62)

- **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, 2015**

NOTE 18: 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 December 31 2015 based on contractual undiscounted payments.

	As at December 31, 2015					Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	
	Euro in thousands					
Interest bearing loans and borrowings	17,875	20,209	41,871	29,688	271,305	380,948
Trade and other payables	21,641	-	-	-	-	21,641
Other liabilities	89	-	-	-	-	89
Payables to related parties and shareholders	2,350	-	-	-	-	2,350
	<u>41,955</u>	<u>20,209</u>	<u>41,871</u>	<u>29,688</u>	<u>271,305</u>	<u>405,028</u>

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 based on contractual undiscounted payments.

	As at December 31, 2014					Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	
	Euro in thousands					
Interest bearing loans and borrowings	20,561	21,511	23,750	45,251	256,667	367,740
Trade and other payables	24,248	-	-	-	-	24,248
Other liabilities	60	-	-	-	-	60
Payables to related parties and shareholders	8,438	-	-	-	-	8,438
	<u>53,307</u>	<u>21,511</u>	<u>23,750</u>	<u>45,251</u>	<u>256,667</u>	<u>400,486</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18: 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 ended December 31, 2015 and December 31, 2014.

The gearing ratios at 31 December 2015 and 31 December 2014 were as follows:

	<u>2015</u>	<u>2014</u>
	<u>Euro in thousands</u>	
Non current interest bearing loans and borrowings	320,379	312,795
Current liabilities	8,553	11,599
Less cash and short term deposits	<u>(33,583)</u>	<u>(9,736)</u>
Net debt	<u>295,349</u>	<u>314,658</u>
Equity	<u>424,702</u>	<u>255,029</u>
Total capital	<u>720,051</u>	<u>569,687</u>
Gearing ratio	<u>41%</u>	<u>55.2%</u>

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, 2015

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (see note 5)	-	-	735,331	735,331
Available-for-sale financial assets				
Unquoted equity shares ^(a)	-	-	2,250	2,250
Total	-	-	737,581	737,581
Financial liabilities				
Derivative instruments - swaps ^(b)	-	(5,094)	-	(5,094)

(a) The change in unquoted equity shares from December 31, 2015 resulted mainly from the sale of part of a financial participation for an amount of €330 thousands. During 2015 the Group has recorded an increase in the value of investment in the unquoted equity in the amount of €124 thousand (During 2014: €569 thousand) presented in other comprehensive income – net profit (loss) arising on revaluation of available for sale financial asset.

(b) Derivative instruments:

While entering the original credit facilities in 2006, the Group contracted hedging instruments under the form of "Interest rate swaps" at a fixed rate of 0.9%-1.2% 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 are 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, 2015

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)**Fair value measurements recognised in the statement of financial position (Cont.):****(b) Derivative instruments: (Cont.)**

Following the refinancing of the major 3 credit facilities of the Group In December 2014, the Group contracted new hedging instruments under the form of "Interest rate swaps" at a fixed rate of 0.9%-1.2% from the initial repayment date to the new repayment date at the end of 2021.

€1,480 thousand (2014: €1,086 thousand) of the balance is presented in current liabilities, and €3,614 thousand in non-current liabilities (2014: €3,969 thousand in other long-term financial assets).

	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Euro in thousands				
Non - Financial assets:				
Investment properties (see note 5)	-	-	584,332	584,332
Available-for-sale financial assets				
Unquoted equity shares	-	-	2,456	2,456
Hedging instruments:				
Foreign currency exchange instruments	-	774	-	774
Financial Assets carried at fair value through profit or loss				
Marketable securities	1	-	-	1
Total	1	774	586,788	587,563
Financial liabilities				
Derivative instruments - swaps	-	(5,055)	-	(5,055)

NOTE 19: 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 20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19: OPERATING LEASE (Cont.)

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

	Euro in thousands	
	For the year ended December 31, 2015	For the year ended December 31, 2014
Within one year	54,124	46,559
After one year but not more than five years	149,249	112,376
More than five years but not more than ten years	45,724	39,423
More than ten years but not more than fifteen years	12,026	4,136
More than fifteen years	2,775	1,699
	<u>263,898</u>	<u>204,193</u>

The increase in future minimum rentals receivable is mainly due to the acquisitions of additional properties during the reporting period, as detailed in note 5.

NOTE 20: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**A. Acquisitions**

In January 2016, the Group acquired two office buildings at total acquisition cost of €15 million. For further details please see note 5C4.

In March 2016, the Group acquired three office buildings for a total price consideration of €25.5 million, including acquisition cost. For further details please see note 5C5.

B. Financing

During the first quarter of 2016, the Group has entered several financing agreements for the purpose of financing the acquisitions which took place after the end of the reporting period.

C. Disposal

In the beginning of 2016 the Group has sold three small retail properties for a total price consideration of €3.6 million, reflecting approximately their book value. For further details please see note 5.

D. Dividend

In March 2016, the Company declared a dividend of 0.95 cent per share. For further details please see note 11e.

E. In February, 2016 the Company obtained an Aa3("very strong") issuer rating by Midroog.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 21: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2015

	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 LoanCo LTD	Inter group financing company	Guernsey	100%
Summit Luxco s.a.r.l	Intermediate holding company	Luxembourg	100%
Summit Thor S.a.r.l	Shelf company	Luxembourg	100%
Gallia invest Sarl	Inter group financing company	Luxembourg	100%
Summit Stern Guernsey Ltd.	Intermediate holding company	Guernsey	100%
Summit Re One GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Silver GmbH	Intermediate holding company	Germany	94.80%
Summit RE Two GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Gold GmbH	Intermediate holding company	Germany	94.80%
Summit RE Three GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Bronze GmbH	Intermediate holding company	Germany	94.80%
Summit Real Estate Magdeburg 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	94.80%
Summit Real Estate Titanium GmbH	Shelf company	Germany	94.80%
M.S.C Objekt Magdeburg GmbH & Co. KG	Real Estate company	Germany	99.73%
M.S.C Objekt Hanau GmbH Co. KG	Real Estate company	Germany	99.73%
Summit Real Estate Blue GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Orange GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Yellow GmbH	Real Estate company	Germany	99.73%
Summit Real Estate White GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Red GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Purple GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Black GmbH	Real Estate company	Germany	99.73%
Summit RE GmbH & Co. Black 1KG	Real Estate company	Germany	99.73%
Summit RE GmbH & Co. Black 2KG	Real Estate company	Germany	99.73%
Summit RE GmbH & Co. Black 3KG	Real Estate company	Germany	99.73%
BDPE S.a.r.l	Real Estate company	Luxembourg	99.73%
Summit Real Estate Cammarus GmbH	Intermediate holding company	Germany	99.73%
Summit Real Estate Brown GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Indigo GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Maroon GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Lime GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Azure GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Alpha GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Lilac GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Delta GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Gamma GmbH	Real Estate company	Germany	99.73%
Lommy GmbH	Real Estate company	Germany	99.73%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**NOTE 21: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2015 (Cont.)**

	Principal activity	Country of incorporation	Direct and indirect holdings %
Summit Real Estate Amber GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Lavender GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Magenta GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Ruby GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Epsilon GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Krypton GmbH	Real Estate company	Germany	99.73%
RE one finance GmbH	Inter group financing company	Germany	100%
Summit Real Estate BOS GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Delphinus GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Formica GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Grey GmbH	Real Estate company	Germany	99.73%
Grundstücksgesellschaft Gewerbepark Hansalinie GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Kappa GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Lupus GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Omega GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Papilio GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Salmo GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Ursus GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Zeta GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Camelus GmbH	Real Estate company	Germany	99.73%
Summit Real Estate Hamburg GmbH	Real Estate company	Germany	99.73%
Gadelander Str. 77 Projekt GmbH	Real Estate company	Germany	99.73%
RE three finance GmbH	Inter group financing company	Germany	100%
Summit Real Estate Hirundo GmbH	Shelf company	Germany	94.80%
H130 Boblingen GmbH	Real Estate company	Germany	94.60%
Summit Sindelfingen GmbH	Real Estate company	Germany	94.60%
Summit RE Beta GmbH	Real Estate company	Germany	94.80%
Summit RE Leo GmbH	Shelf company	Germany	94.80%
Summit RE Tau GmbH	Shelf company	Germany	94.80%
Summit RE Aquila GmbH	Shelf company	Germany	94.80%
Summit RE Corvus GmbH	Shelf company	Germany	94.80%
Summit RE Rho GmbH	Shelf company	Germany	94.80%
Deutsche Real Estate AG	Intermediate holding company	Germany	78.47%
Summit Real Estate 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%
Verwaltungsgesellschaft Deutsche Real Estate mbH	Residual company	Germany	78.47%
DRESTATE Objekt Berlin, Friedrichstraße GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Objekt Habmurg, Osterfeldstraße GmbH & Co.KG			
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**NOTE 21: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2015 (Cont.)**

	Principal activity	Country of incorporation	Direct and indirect holdings %
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%
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	Real Estate company	Germany	78.47%
Verwaltungsgesellschaft DRESTATE mbH	Residual company	Germany	78.47%
DRESTATE Objekte Zweite GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Carreé Seestraße 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 Hamburg, Pinkertweg GmbH	Real Estate company	Germany	78.47%
K-Witt Kaufzentrum Wittenau GmbH & Co. KG	Real Estate company	Germany	78.47%
DRESTATE Finance GmbH	Inter group financing company	Germany	78.47%
DRESTATE Services GmbH	Real Estate company	Germany	78.47%
Objekt Verwaltungs GmbH Deutsche Real Estate	Intermediate holding 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**NOTE 21: THE COMPANY'S HOLDINGS AS OF DECEMBER 31, 2015 (Cont.)**

	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Direct and indirect holdings %</u>
DRESTATE Objekt Hamburg Pinkertweg GmbH	Real Estate company	Germany	78.47%
Beteiligungsgesellschaft Pinkertweg GmbH & Co. KG	Intermediate holding company	Germany	78.47%
Verwaltungsgesellschaft Objekte DRESTATE mbH	Intermediate holding company	Germany	39.24%
Grit 68. Vermögensverwaltungs GmbH	Intermediate holding company	Germany	78.47%
Object Verwaltungsgesellschaft 2013 Drestate mbH	Intermediate holding company	Germany	39.24%
Object Verwaltungsgesellschaft 2015 Drestate mbH	Intermediate holding company	Germany	39.24%
Deutsche Shopping GmbH & Co. KG	Intermediate holding 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%
Verwaltung K-Witt Kaufzentrum Wittenau II GmbH	Intermediate holding company	Germany	78.47%
DRESTATE Wohnen GmbH	Residual Company	Germany	78.47%
BAKOLA Miteigentumsfonds I Objekt Duisburg - Averdunk	Financial Participation	Germany	54.98%
