ANNUAL REPORT AND ACCOUNTS 2016

SUMMIT
Germany Ltd

Carrée Seestraße GbR, Berlin

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Summit Germany Limited

2016 Full Year Results

We are pleased to present the audited results for the year ended 31 December 2016 of Summit Germany Limited and its subsidiaries ("the Group") with a net profit of €55.5 million.

FY 2016 Highlights:

Financial Results

Profits

- Net profit of €55.5 million (FY 2015: €63.5 million)
- Gross profit increased 15.1% to €52.7 million (FY 2015: €45.8 million)
- Profit Before Tax (PBT) of €63.9 million (FY 2015: €70.9 million) of which Revaluation Profit is €28.2 million (FY 2015: €55.3 million)
- Earnings Per Share (EPS) of 10.5 cents (FY 2015: 13.3 cents)

NAV

- EPRA NAV of €466.3 million increased by 9.1% compared to €427.5 million in 2015
- EPRA NAV per share of 100.2 cents (FY 2015: 91.9 cents)
- Group's NAV increased 7.0% to €437.9 million (FY 2015: €409.4 million)

Rent

- Rental income increased by 15.3% to €57.2 million (FY 2015: €49.6 million)
- Funds From Operations (FFO) up 21.2% to €34.9 million (FY 2015: €28.8 million)

Strong portfolio performance

- €797.8 million portfolio of 100 properties (FY 2015: €735.3 million)
- Net rent of €58.4 million p.a., equivalent to a rental yield of 7.3%.
- €40.5 million of new property acquisitions. Further acquisitions are under process.
- €18.6 million of disposals of non-strategic assets enhanced average portfolio quality. Additional disposal of €2.5 million post year end.
- New leases and renewals for 83,000 sqm with total rental income of €7.9 million p.a.
- New leases and renewals are 12% higher than last year's rent rate (ave. €7.9 per sqm per month)
- Stable occupancy of 91% for the portfolio's majority (87% including properties for development)
- New joint venture project for a 60 apartments development in Berlin. Post year end, additional two new projects in Berlin for 95 residential units.

€89 million new debt facilities – all for 10 years fixed at low rates

- €29 million of new ten-year debt secured at asset level provided by German banks to finance the new acquisitions, at attractive blended fixed interest rate of 2.09% p.a. and 2.68% annual amortisation.
- €44 million refinancing secured on property provided by two German banks for a ten-year term at a blended fixed interest rate of 2.24% p.a. and 4.09% annual amortisation.
- €16 million of new debt secured on a property in Potsdam, provided by a German bank for ten years at a 1.76% p.a. fixed interest rate and 3% annual amortisation.

Dividend

- Total dividend distributions of €13.8 million were paid during the reporting period, reflecting 2.97 cents per share.
- Additional €4.8 million paid post reporting period, reflecting 1.02 cents per share.
- Total annual dividend yield of 4.05% on EPRA NAV per share.

Harry Hyman, Chairman commented: "Summit took good advantage of Germany's strong domestic real estate market in 2016, and we remain confident regarding the prospects for the current year. Acquisitions made an immediate positive contribution to earnings, and have further attractive opportunities to unlock value through hands-on asset management over the next few years. We believe our revenue and earnings visibility, and strong portfolio outlook justifies the dividend stability, and we remain committed to attractive shareholder returns."

Zohar Levy, Managing Director commented: "Another very successful year was reflected in the progress we made across all of our strategic and financial targets. We increased the scale, and upgraded the quality of our portfolio through acquisitions which met our investment criteria, and disposed of non-strategic holdings. Stable occupancy, lease renewals and debt refinance have enhanced revenues, and underpinned earnings and cash flows. We are well-positioned to continue to capitalise upon our strong position within a dynamic real estate market of one of the world's leading economies."

Rahmhof, Schillestrasse 5, Frankfurt

Chairman’s and Managing Director's Report

Chairman's and Managing Director's Report

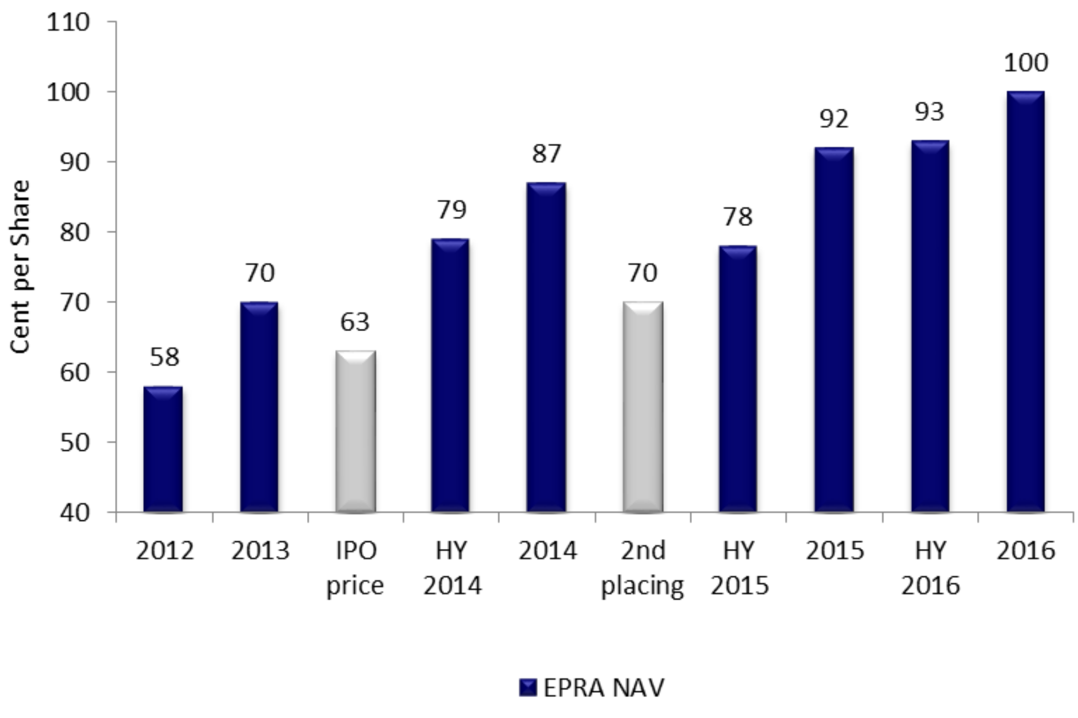
We are pleased to report another successful year, during which we made progress across all key strategic targets.

Acquisitions completed during the first half of 2016, of fully-let and well located commercial properties, made an immediate contribution to net operating income and Funds from Operations (FFO). They also added new opportunities to enhance returns and unlock value via intensive asset management of our portfolio over the next few years. Further detail is provided in the portfolio review.

We still have cash and headroom available to finance further acquisitions and continue to appraise prospective purchases to ascertain whether they fit our acquisition criteria. We seek assets with strong income characteristics, ideally where there is potential to unlock latent value by application of our asset management skills.

Financial Review

EPRA NAV increased by 9.1% to €466.3 million as at 31 December 2016 (FY 2015: €427.5 million). This is mainly due to a €34.9 million FFO[1] contribution and €28.2 million revaluation profit (net of capex), partly offset by €18.6 million dividends distributed during the period. EPRA NAV per share was approximately 9% higher at 100.2 cents (FY 2015: 91.9 cents). The Group's NAV increased 7.0% to €437.9 million (FY 2015: €409.5 million).



[1] As presented on page 5

A more detailed breakdown of the year-end 2016 external valuation reveals a €44.8 million increase in the fair value of the portfolio, partly offset by two write-downs of €8.7 million in respect of planned capex of several properties, and €7.9 million related to a single asset in Hamburg, where the sole tenant vacated the property. That latter asset's value was consequently adjusted during the first half of the year, and was sold in the final quarter of 2016 at a price close to its carrying value.

As at the end of 2016 the portfolio consisted of 100 assets, with a NMV of €797.8 million (FY 2015: 103 properties at €735.3 million), including €2.2 million in respect of a property held for sale (FY 2015: €3.6 million). The 8.5% increase in portfolio value mainly reflects €40.5m of recent acquisitions and the €28.2 million uplift in the fair value of the existing portfolio.

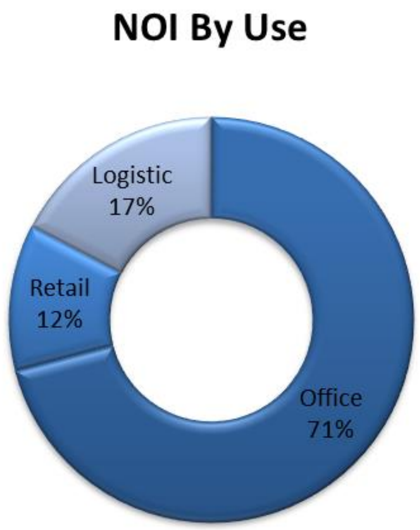
Portfolio performance – asset management and acquisitions

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.

The earnings accretive property additions completed during the second half of 2015 and first half of 2016, expanded the existing stable portfolio and have created an even more solid platform to underpin future cash flow growth. These acquisitions were the main driver behind the 15.3% growth in rental income to €57.2 million (FY 2015: €49.6 million). The assets acquired during the reporting period alone, contributed €2.6 million of that total.

Underlying rental income, ignoring contributions from acquisitions, also benefited from new lettings and lease extensions during the reporting period. Our excellent landlord and tenant relationships enabled us to maintain a stable rental income on a like-for-like basis. The underlying portfolio remains robust, enhanced we believe by selected asset disposals during the financial year.

Net Operating Income ("NOI") was €52.7 million for the year ended 31 December 2016, reflecting a 15.1% increase on €45.8 million reported for the prior year. Contributions from portfolio sectors were as follows:



Rental growth is reflected in a 21.2% increase in FFO to €34.9 million (FY 2015: €28.8 million). FFO per share was 17.2% ahead at 7.5 cents per share (FY 2015: 6.4 cents). The difference in relative growth rates is due to the share placing in February 2015; as a result of which the average number of shares in issue for 2016 was above the figure applicable for the previous year.

FFO	€'mm
Gross profit	52.7
G&A expenses	-7.4
Interest expenses, net	-10.4
FFO	**34.9**
Weighted ave. amount of shares (million)	465
FFO per share (cents)	**7.5**

The increase in FFO contributed to the Profit Before Tax (PBT) amounting to €63.9 million for the reporting period (FY 2015: €70.9 million).

PBT	€'mm
Gross profit	52.7
G&A expenses	-7.4
Fair value adjustments of investment properties	28.2
Financial expenses (net)	-10.0
Other	0.5
Profit Before Taxes	**63.9**

The approximate 10% decrease in PBT reflects the variance in fair value movements, reflected in the external revaluation of the investment portfolio at the reported and prior year-ends. A cleaner measure of the portfolio’s underlying operational performance, can be achieved by stripping out fair value movements. Excluding revaluation profit, PBT more than doubled to €35.7 (FY 2015: €15.6 excluding revaluation profit). This indicates clear increases in operational and profit margins, attributable growth in net rent and lower expense ratios post successful refinance of existing debt.

The variance in fair value movements has also affected the Net profit which amounted to €55.5 million (FY 2015: €63.5 million), resulting in Earnings Per Share (EPS) of 10.5 cents (FY 2015: 13.3 cents).

EPS	€'mm
Profit attributable to ordinary shareholders	49.0
No. of shares	465
Earnings Per Share (cents)	**10.5**

Margins benefitted from refinancing of existing debt on improved terms

In total, we secured €89 million of new ten-year credit facilities during the reporting period, all at attractive interest rates fixed for the long term. These will help underpin the portfolio's stable cash flow characteristics.

Within the first quarter of the reporting period €29 million of new debt was provided by two German banks to finance acquisitions in Munich, Duisburg and Frankfurt. Both facilities were at attractive fixed rates: €10.5 million for ten years at 1.8% fixed interest rate and 3% annual amortisation and €18.5 million for ten years at 2.26% fixed interest rate and 2.5% annual amortisation.

In May 2016 we refinanced €24 million debt secured on the Stuttgart property complex acquired in August 2015. That loan, which was previously part of the acquisition of the complex, was replaced by a new €40 million facility provided by two German lenders at a fixed interest rate of 2.25% p.a. for a ten-year term and an annual amortisation rate of 4.15%. Three months later, we raised another €3.85 million of new debt, secured on this complex. This has a fixed 2.1% interest rate p.a. for the ten-year term, and 3.5% annual amortisation.

In December 2016, we raised finance secured on an office building in Potsdam, previously funded from the Group's own resources. A German lender provided a €16 million debt facility, for a 10-year term at a fixed interest rate of 1.76% and 3.0% annual amortisation rate.

These financing activities and the Group's strong relationships with its German lenders have reduced the average interest rate on the aggregate debt portfolio to 2.7% p.a. The full benefit of these should be reflected in the FY 2017 profit margin and earnings. These new loans also extended the weighted average unexpired term of the group's aggregate debt portfolio to 5.8 years (FY 2015: 5.6 years), which further underpins the Group's stable cash flow characteristics and earnings outlook.

The table below sets out the main details of the Group debt facilities at 31 December 2016. Further detail is provided in Note 7 of the Group's financial statements.

Credit Facility	Financing Date		Loan Amount (€mn)	Interest Rate	Amort' Rate	Market Value (€mn)	Loan to Value		DSCR Ratio	
	Start	Maturity					Cov'	Actual	Cov'	Actual
1	12.2014	12.2021	62	3.14%	2.00%	161.0	70%	38%	NR	NR
2	12.2014	12.2021	146	3.14%	2.00%	298.6	75%	49%	NR	NR
3	03.2015	3.2022	32	2.00%	3.00%	66.1	65%	48%	125%	270%
5	11.2013	11.2018	22	2.66%	2.00%	38.0	75%	58%	145%	169%
6	10.2012	12.2021	5	e+1.75%	3.00%	11.8	NR	NR	125%	289%
7	10.2012	2.2019	11	e+1.75%	2.65%	17.8	NR	NR	125%	233%
8	1.2016	1.2026	10	1.80%	3.00%	16.7	NR	NR	NR	NR
9	3.2016	3.2026	18	2.26%	2.50%	27.5	NR	NR	NR	NR
10	4.2016	3.2026	39	2.25%	4.15%	59.7	NR	NR	NR	NR
11	9.2016	8.2026	4	2.10%	3.50%		NR	NR	NR	NR
12	12.2016	12.2026	16	1.76%	3.00%	21.4	NR	NR	NR	NR
Other			1			0.0	NR	NR	NR	NR
Unpledged Properties						79.2				
			365.7			**797.8**	**46%**			

In February this year, the Group's credit rating was reaffirmed by Midroog, a Moody's Israeli subsidiary, at Aa3 (stable outlook). This represents a valuable independent verification of our revenue and portfolio outlook and will improve further our ability to access new debt sources.

Property portfolio overview

At the end of December 2016, our aggregate portfolio comprised 100 assets, ca. 864,000 sqm of net lettable space, located on approximately 1,407,000 sqm of land.

The net annualised income of the aggregate portfolio at end FY 2016 was €58.4m. That is equivalent to a 7.3% p.a. net yield, receivable from ca. 650 tenants. Rents uplifts are either linked to CPI, or subject to agreed fixed annual increases.

Type	No. of Assets	Land Size (sqm'000)	Lettable (sqm'000)	Vacant (sqm'000)	Net Rent (€mn)	Rent/sqm /month	Capital Value (€/sqm)	Yield
Office	49	616	501	63	41	7.9	1,165	7.1%
Retail	33	223	89	18	7	8.0	934	8.2%
Logistic	18	569	273	35	10	3.6	478	7.8%
Total	**100**	**1,407**	**864**	**117**	**58**	**6.5**	**924**	**7.3%**

Aggregate portfolio occupancy is currently approximately 87%. The vacancy rate reflects, among others, assets held for redevelopment at a future date. Assuming the portfolio was fully occupied, annualised net rent would be approximately €66m p.a., equivalent to an 8.3% p.a. yield on current book value.

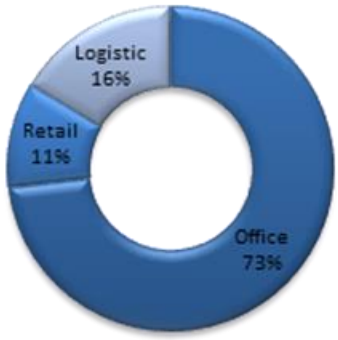
Portfolio occupancy and income, adjusted for acquisitions and disposals, have both been stable in recent years. Net of disposals during the reporting period lettings were steady, and occupancy was maintained at around 91% for the majority of the portfolio.

That reflects our strong landlord and tenant relationships, as well as the success of our asset management team and direct approaches made by our marketing unit. During the reporting period, we signed new leases for approximately 28,000 sqm, and renewals of existing lease agreements for another 55,000 sqm, worth a total of approximately €7.9 million per annum and reflecting a rent rate of €7.9 per square meter per month, 12% higher than last year's rate.

The majority of the current portfolio was acquired in 2006-7 and 80% of the income derives from strong tenants. It is multi-let with no dependency on key tenants and is also well diversified from sector and geographical perspectives, as illustrated overleaf.

Offices represented by far the largest component of the year-end portfolio and comprised 73.2% of the NMV and 70.7% of Net Rent (FY 2015: 72.5% and 70.2% respectively). That is fully in line with our long-term strategy to focus on this segment, where we see interesting and attractive prospects. It is an area in which we can capitalise upon management depth of experience and one where we have a proven competitive advantage.

Offices	Logistic	Retail	Total NMV
583.8	130.7	83.3	797.8
73.2%	16.4%	10.4%	100%



NMV by Sector

The average rent/sqm per month for the year-end portfolio is set out in the table below, with comparison between distinct commercial sectors.

	Offices		Logistic		Retail	
	12.2016	12.2015	12.2016	12.2015	12.2016	12.2015
€/sqm/month	7.9	7.9	3.6	3.4	8.0	7.9
Range in €	(4.7-20.5)	(4.1-20.1)	(2.3-5.9)	(2.3-5.2)	(4.0-25.7)	(3.5-25.7)

Over 50% of group rent is generated from assets located in Germany’s four main cities, Berlin (20%), Frankfurt (15%), Stuttgart (10%) and Hamburg (9%). Another 30% is derived from Cologne, Dusseldorf, Munich and other major cities combined resulting with more than 85% in Germany's major cities. The largest ten properties account for 37% of portfolio income, and 81% of the lettable area is in the former West Germany.

We remain confident regarding the prospects for German commercial property, which we believe are characterised by steady demand and a positive economic outlook.

Acquisitions: €40.5 million completed during 2016, new opportunities under review

We continue to seek acquisition opportunities which fit our strict core investment criteria. Cash is available to finance further growth, and our recent discussions with existing and potential new lenders confirm that they remain willing to support investment in commercial real estate.

We focus primarily on the resilient operational characteristics of the asset under consideration, its existing leases and tenant covenants, supported by its competitive positioning within its underlying local markets.

We also prefer to acquire assets where we can identify opportunities to apply our asset management expertise to increase net rent and unlock capital value. These may include using own resources over the short to medium term for refurbishment and redevelopment purposes, as well as for debt refinance to further strengthen cash flow.

During the reporting period, we acquired three fully-let properties which provided an immediate, positive contribution to the Group's rental income and cash flow. The properties are located in Munich, Duisburg and Frankfurt (Oberursel) and were purchased for a total of €40.5 million (including acquisition costs). These assets have a combined 30,000 square metre lettable area and generate an aggregate net rent of approximately €3 million p.a. with a similar NOI.

The assets are a good fit with our strategy to acquire well-located, attractively priced properties let to stable tenants. They were financed from existing cash, plus ten-year €29 million debt facilities provided by German banks. The average interest on the new debt is fixed at 2.1% for the entire term, with 2.7% average annual amortisation.

Further details on the properties acquired during the reporting period are included in the Notes to the Group's financial statements.

New residential projects in Berlin

To benefit from the growing demand for residential properties in Berlin, we have been engaged over the last few years in several projects, all of which have been carried out by joint ventures (JVs) with an experienced specialist developer. These engagements provide an opportunity to use surplus land within existing sites, and convert commercial assets for residential use. The JVs may also finance land purchases for this purpose.

The Group's engagement is typically in the provision of additional funding required, above that expected to be covered by construction loans.

In May 2016, we agreed a new joint-venture (JV) for the development of a residential project in Berlin. This JV has acquired an existing building which it intends to convert into 60 apartments. The anticipated investment for this entire project is €18 million and apartment sales are expected to generate project revenues of €23 million. The JV plans to finance the project with a construction loan and another €4 million loan from the Group.

After the end of the reporting period we agreed two new residential projects in Berlin. The first proposes to develop 50 apartments on a plot acquired by the JV for €4.2 million. Expected investment in the entire project is approximately €23 million and expected revenue from sales of apartments ca. €27 million. The second JV project has acquired a plot for €2.6 million and intends to develop 45 townhouses and terraced houses. The anticipated total investment is ca. €13 million, projected revenue from sales of apartments approximately €16 million.

As in previous projects, the JVs intend to use construction loans to finance both developments. The additional required funds of ca. €7 million will be provided as loan from the Group, on terms and conditions similar to previous residential development engagements. The loan and accrued interest is repayable from the project revenues by the second half of 2020.

These are the latest in a series of JVs which seek to benefit from ongoing demand for residential property in Berlin. The projects are all located in high demand residential neighbourhoods. More detail on this is set out in Note 6 of these accounts.

Ongoing disposals of non-strategic assets

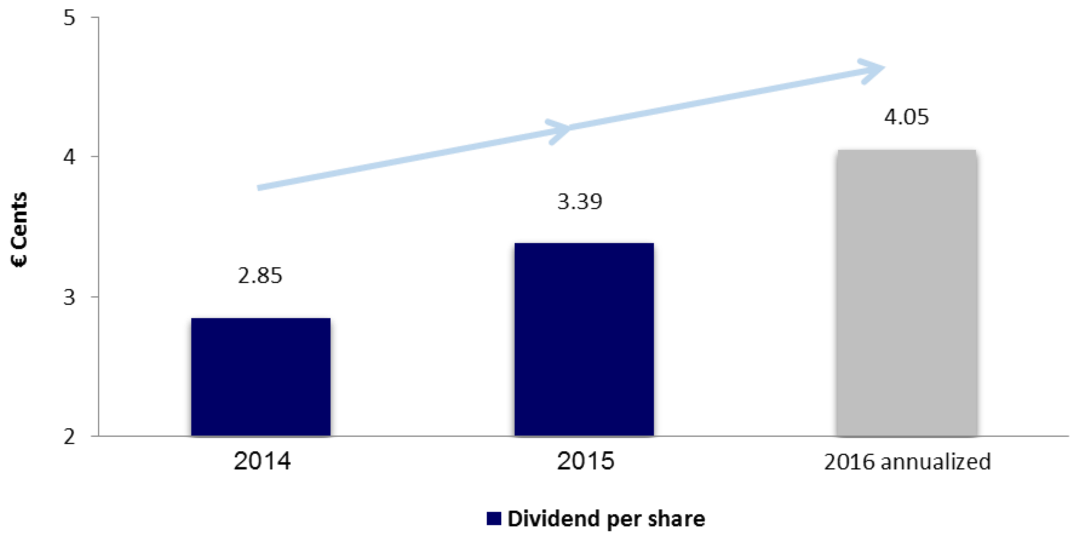
We aim to progressively upgrade the average quality of the Group portfolio by disposing of non-strategic assets. The proceeds are used either to reduce associated debt or to finance the acquisition of new properties with better growth potential.

While we continued to improve our portfolio during the last year, we sold ca. €18.6 million of non-strategic assets. In the first six months of last year, we disposed of three small retail properties at close to carrying value, which raised €2.4 million in total. In the second half, we sold a property in Hamburg for €14 million and another asset in Bremen for €1.3 million. These were all either non-strategic holdings or, in the case of Hamburg, represented an opportunity to achieve what we regarded as the full value of an asset which had limited potential for further upgrade over the short to medium term.

Post the year-end we sold a small retail property in Worms for a total consideration of €2.5 million, which was close to last carrying value.

Dividend

The increase in the Group's rental income and cash flows has enabled us to maintain progressive distributions of dividends since AIM admission in 2014. The most recent quarterly dividend of 1.02 cents per share paid in February 2017 in respect of the third quarter of the 2016 reflects an annualised dividend yield of 5.83% on the 2015 placing share price of 70 cents.



We are confident in the outlook for the Group's assets and underlying markets to continue and distribute dividends, which are well-covered by recurring, rental based earnings.

Outlook

While we remain committed to investment portfolio growth, and continually seek ways to enhance its operational performance, our strategy is focused upon resilient, visible cash flows. It is therefore reassuring to report another strong period, as that underpins our strategic objectives.

Earnings accretive additions to the portfolio secured during H2 2015 and 2016 enlarged our existing, stable investment portfolio and created an even more solid platform to anchor future enhanced cash flows.

The effort made by our asset management and marketing teams is reflected in portfolio performance and its net financial impact has benefited from improved, lower rate debt facilities. Portfolio occupancy and rental income from existing properties was maintained across the portfolio, despite lease expirations. This reflects success in securing new lettings, reviews, and identifying opportunities for refurbishments, extensions and other asset improvements.

We plan to maintain steady portfolio performance characteristics, and continue to achieve year-on-year portfolio growth where we identify income-producing properties with asset management opportunities. We have access to cash and low cost debt to finance further value enhancing acquisitions, as well as refurbishment or redevelopment where we see attractive opportunities. We will not however, compromise our criteria and indeed, rejected asset purchases where the opportunities presented were, in our view, overpriced.

This reflects a current 'hot' commercial property investment market, but we regard this as a normal part of the investment cycle. As a longer-term investor, our experience suggests that there will be periods when we will benefit holding until better opportunities appear. For Summit Group, these generally relate to assets which would not suit mainstream investors. In such assets, most of the underlying value will only be unlocked via the kind of intensive, hands-on asset management which is our core competency, and a genuine source of competitive advantage.

We are confident with our focus on the EU's leading economy and a portfolio, more than 85% of which, is located in Germany's major cities. Current interest service and dividend cover is comfortable, and prospects for growth in net rents, FFO/PBT and net asset value are projected to be derived from ongoing management of our existing portfolio, independent of any assistance from the underlying market. We look forward to reporting further progress in 2017.

Harry Hyman	Zohar Levy
Chairman	Managing Director

15 May 2017

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. The team 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 relatively 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
- 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

- On a Like-for-Like ("LFL") basis the rental income remained stable during the year and amounted to €55.4 million, reflecting an increase of 1.1% compared to €54.8 million in 2015.
- Following new acquisitions of properties during the reporting period, the rental income has further increased by 5.4%, amounting to €58.4 million as of year-end.
- Rent per sqm has increased by 2% mainly due to fixed rental uplifts integrated in the new lease agreements and lease renewals at higher rent rate
- Weighted average lease length of 4.4 years

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 10.5 cents per share (FY 2015: 13.3 cents) affected by the variance in fair value movements and the dilutive nature of the new shares issued during 2015.
- EPRA NAV per share increased by 9% to 100.2 cents (FY 2015: 91.9 cents).
- Quarterly dividend payments for 2016 amounting to 3.04 cents per share, reflecting an annual yield of 5.79% on second placing price of 70 cents per share.
- Last quarterly dividend distributed in respect of 2016 amounted to 1.02 cents per share, reflecting an annual dividend yield of 5.83% on second 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

- New financing agreements of €89 million for 10-year term at fixed interest rates, securing low interest rate over the long term
- Average maturity of debt facilities of 5.8 years (FY 2015: 5.6 years)
- LTV net of cash at 39% well within current and future covenant limits (FY 2015: 39%)
- €120 million equity issuance in February 2015

The German market

Germany is the fourth largest economy in the world and retains its position as the largest economy in Europe. The Gross Domestic Product of Germany grew by 1.9% in 2016 while its unemployment rate dropped from 4.6% in 2015 to 3.9% in 2016. These facts as well as the constant positive development of its stable real estate market has labelled Germany as a relatively safe market which offers good investment opportunities.

The solid economy of Germany 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 48% of the investment volume in 2016 derived from foreign capital. The continuation of historically low interest rate levels in 2016 pushed the demand to German real estate properties further. Transaction volume however suffered from a shortage of supply and was €52.9 billion, 4% lower than in 2015.

The diversified investment trends seen in 2015 were maintained throughout 2016, with more investors extending their investments to lower quality properties in less central locations. The top 7 main cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) however, remained still favourable, accounting for almost 60% of the total transaction volume in the German real estate market.

The office investment market proved to remain the most favourable among investors as approximately 45% of the total transaction volume (equivalent to approximately €24 billion) was invested in office properties. €12 billion was invested in retail properties, reflecting approximately 23%. As a result of the increasing demand and shortage of supply, the average yields in the office segment in the top 7 cities dropped further to 3.56% compared to 4.15% in 2015.

Though the Eurozone interest rate is still expected to remain relatively low in 2017, the exposure of the European markets to political and monetary risks may slow down further growth in yield compression compared to prior years. Despite that, German properties are anticipated to remain very attractive to investors and to support the confident outlook of the German real estate market.

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 2016.

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 26 February 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 40. The Group recorded a profit for the year attributable to ordinary shareholders of €55.5 million, representing an EPS of 10.5 cents per ordinary share (FY 2015: €63.5 million, 13.3 cents per ordinary share).

At the year end the Group had net assets of €459.7 million (FY 2015: €424.7 million), of which €437.9 million (FY 2015: €409.5 million) was attributable to ordinary shareholders, equating to 94 cents per ordinary share (FY 2015: 88c).
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:

	At 31 December 2016	
	Ordinary Shares	
	Number	**% of issued Share Capital**
Zohar Levy [1]	141,966,000	30.50%
Itay Barlev (Braun) [2]	-	-
Quentin Spicer[3]	59,040	0.013%
Harry Hyman[4]	136,478	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 owned 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 and is entitled to an advisory fee equal to €750,000 per annum, payable quarterly, plus the potential to receive a performance-based bonus of up to €750,000 per annum, depending on certain performance criteria.

The performance-based bonus is 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 at 31 December 2016 the performance criteria were met and a provision in the amount of €750,000 was included in the Group's annual financial statements. The payment of the performance-based bonus is subject to the approval of the Remuneration and Nomination Committee of the Group.

In March 2017 the management agreement was revised through implementation of three principal amendments to the fee payable to SMC with effect from 1 January 2017.

The annual advisory fee payable to SMC remains €750,000, but going forward SMC is obliged to provide the services of the Managing Director only and not the services of the Finance Director, who is engaged directly by the Group since November 2014.

The existing annual performance-based bonus entitlement of SMC remains capped at a maximum of €750,000 per annum. However, the basis on which the Bonus amount is calculated has been amended so that it is no longer based on the Group's FFO, but by reference to the aggregate return to the shareholders of the Company at the end of each accounting year, whether as a result of dividends received and/or an increase in the net asset value of the Group (excluding any increase due to revaluations) (the "Return"). The performance-based bonus is calculated on a pro-rata basis for any increase in the Return up to and including 5.5%.

SMC shall be entitled to receive a "Special Bonus" if, at any time in the period commencing on 1 January 2017 and ending on the date falling three years thereafter (i.e. 1 January 2020), there is a qualifying sale or series of sales of any properties of the Group. A qualifying sale or series of sales is one, which alone or in aggregate, results in the proceeds received by the Summit Group, (net of any costs and expenses incurred in connection with the relevant sale(s)) and less the value (as stated in the Group's valuation as at 30 June 2016) of the properties sold, being greater than €50 million (the whole of such amount being the "Qualifying Amount"). The Special Bonus shall be an amount equal to 5% of the Qualifying Amount and is subject to a total aggregate cap of €10 million over the three year term.

In addition, in the first accounting year in which a Special Bonus is payable, any bonus payable in that same year shall be deducted from the amount of the Special Bonus so payable.

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 2016, the Shortfall is approximately €205.1 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

If any amount is payable to SMC as a result of its holding of special B shares in SFL, the amount payable in relation to that holding will be deducted from the Special Bonus.

Going Concern and financing development

As at 31 December 2016, the Group’s bank borrowings amounted to €361.3 million (FY 2015: €323.8 million). The increase in the bank borrowings from 31 December 2015 to the balance sheet date resulted from the engagement of the Group in new financing transactions during the reporting period. 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. As a result, the total interest costs were maintained during the reporting period and amounted to €10.4 million (FY 2015: €10.2 million). This further strengthens the stability of 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 63 cents. 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 70 cents. 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.

Since the second placing and up to the date of this report, the Group has acquired new properties for a total consideration of approximately €135.5 million, from which €40.5 million were acquired during the reporting period. 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 15 May 2017.

Zohar Levy	Itay Barlev
Managing Director	Finance Director

Carrée Seestraße GbR, Berlin

Chairman’s Governance Report

Chairman's Governance Report

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 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 also established processes and procedures to support its governance which includes 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.

This process 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 and Risk Committee report for further details on the 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 or alternatively by agreement with debt providers on a fixed interest rate. In 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 2016 the Group refinanced €89 million by debt facilities obtained from five different debt providers for a 10-year term.

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. Following refinancing activities, the Group's available cash amounted to €54.2 million as of the end of the reporting period.

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 Managing Director. He is also a Non-Executive Director of BioPharma Credit PLC and Chairman of Derriston Capital PLC. 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. 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 currently a non-executive director of other listed companies including John Laing Infrastructure Fund Limited, JP Morgan Private Equity Limited, and SQN Asset Finance Income Fund Limited. Mr. Spencer is also a past non-executive director of a number of listed investment companies.

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 rigorous review of their independence. The current Board composition of three non-executive directors one of which one is the Chairman..

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 11 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 (including ad hoc meetings) of the Board and its committees in the 2016 financial year:

	Board	Committee of the Board	Audit and Risk Committee	Remuneration and Nomination Committee
Number of meetings during the year	6	1	2	2
Harry Hyman	6	N/A	2	2
Itay Barlev	6	N/A	N/A	N/A
Zohar Levy	4	N/A	N/A	2
Christopher Spencer	6	1	2	N/A
Quentin Spicer	6	N/A	2	2

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 and Risk 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 and Risk Committee Report

The Audit and Risk 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 finds 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 and Risk Committee has reviewed the contents of 2016 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 2016, the primary risks identified were in relation to the valuation of the property portfolio, accounting of the 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 and Risk 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 and Risk 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 €795.6 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 and Risk 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.

Property acquisition transactions

In February 2016, the Group completed the acquisition of two properties located in Munich and Duisburg for a total gross purchase price of €15 million. In March 2016, the Group completed the acquisition of an office building complex located in Frankfurt for a total gross purchase price of €25 million.

The Audit and Risk Committee has reviewed the transactions as part of reviewing the Group's draft half year financial statements 2016 and reviewed the external auditor's reports thereon. The Audit and Risk 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 the first quarter of the 2016, the Group refinanced new acquisitions by €29 million debt facilities provided by local lenders. In the second quarter of the year, the Group refinanced a property complex in Stuttgart with €44 million debt facilities provided by two German banks. Shortly before the end of the reporting period, the Group refinanced a property located in Potsdam with a €16 million debt facility provided by a German lender. These transactions served to diversify the Group's funding sources leading to reduced overall risk.

The Audit and Risk Committee has reviewed the transactions as part of reviewing the Group's draft year-end financial statements 2016 and reviewed the external auditor's reports thereon. The Audit and Risk 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 and Risk 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 and Risk Committee and the Board.

Internal audit

The Audit and Risk 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 and Nomination Committee meets at least once per year and comprises three Independent Directors being Quentin Spicer (Chairman), Christopher Spencer 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 out 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. Following discussions, the Committee recommended the Board to approve the amendment;
- Reviewing the second amendment to the property management agreement, in particular the bonus mechanism for 2017. 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 2016 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 €318,329 to its directors, and €1,390,352 as a management fee to Summit Management Co S.A.

Directors' fees paid for the year ended 31 December 2016 were as follows:

Non-Executive Directors	**€**
Harry Hyman	65,122
Quentin Spicer	36,113
Chris Spencer	37,094
Executive Directors	
Zohar Levy*	-
Itay Barlev	180,000

* Zohar Levy is paid via the management fee paid to Summit Management Co S.A., as described in Note 13b.

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 to date.

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 2016.

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,
15 May 2016

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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 2016 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 20. 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 2016 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
15 May 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of 31 December	Note	2016	2015
		Euro (in thousands)	
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	5	795,579	731,748
Other long-term assets	6	12,093	13,191
Deferred tax assets	17	655	485
Total non-current assets		808,327	745,424
CURRENT ASSETS:			
Cash and cash equivalents	10	54,158	33,583
Trade receivables, net	8	1,297	1,584
Prepaid expenses and other current assets	9	16,133	7,249
Receivables from related parties	13	169	243
Investment property held for sale	5	2,242	3,582
Total current assets		73,999	46,241
Total assets		882,326	791,665

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of 31 December	Note	2016	2015
		Euro (in thousands)	
EQUITY AND LIABILITIES			
EQUITY:	11		
Share capital		(*) -	(*) -
Distributable reserve		379,416	397,981
Reserves due to transactions with principal shareholder		2,216	2,216
Net unrealised loss reserve		(4,254)	(2,190)
Retained gain		60,514	11,477
Equity attributable to the owners of the Company		437,892	409,484
Non-controlling interests		21,787	15,218
Total equity		459,679	424,702
NON-CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	7	349,526	316,765
Other long-term financial liabilities	6	1,972	2,052
Derivative financial liabilities	18	6,248	3,614
Deferred tax liability	17	21,127	13,377
Total non-current liabilities		378,873	335,808
CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	7	11,804	7,075
Derivative financial liabilities	18	1,675	1,478
Payables to related parties	13	5,507	2,350
Current tax liabilities		65	89
Trade and other payables	14	24,723	20,163
Total current liabilities		43,774	31,155
Total liabilities		422,647	366,963
Total equity and liabilities		882,326	791,665
NAV/Share (cent)	11	94.09	87.99
EPRA NAV/Share (cent)	11	100.19	91.85

(*) No par value.

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

15 May 2017		
Date of approval of the financial statements	Zohar Levy Managing Director	Itay Barlev Finance Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For The Year ended 31 December	Note	2016	2015
		Euro (in thousands)	
Rental income		57,168	49,578
Operating expenses		(4,485)	(3,824)
Gross profit		52,683	45,754
General and administrative expenses	15	(7,436)	(6,784)
Fair value adjustments of investment properties	5	28,203	55,293
Other income (expenses)		486	(1,588)
Operating profit		73,936	92,675
Financial income	16	1,779	1,314
Financial expenses	16	(11,815)	(23,060)
Total financial expenses		(10,036)	(21,746)
Profit before taxes on income		63,900	70,929
Tax expenses	17	(8,353)	(7,462)
Profit for the year		**55,547**	**63,467**
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		123	(46)
Reclassification to profit and loss of ineffective hedging reserve, net		-	3,596
Net loss on hedging instruments entered into for cash flow hedges		(2,472)	(181)
Other comprehensive (loss) income for the year, net of tax		(2,349)	3,369
Total comprehensive income for the year		**53,198**	**66,836**
Profit for the year attributable to:			
Owners of the Company		49,037	60,071
Non-controlling interests		6,510	3,396
		55,547	63,467
Total comprehensive income attributable to:			
Owners of the Company		46,973	63,443
Non-controlling interests		6,225	3,393
		53,198	66,836
Earnings Per Share:			
Basic (Euro per share)	12	0.105	0.133
Diluted (Euro per share)		0.105	0.133

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital (Note 11)	Other Reserves (Note 11)	Retained Earnings (Deficit)	Total equity attributable to owners of the parent Company	Non-Controlling interests	Total equity
			Euro in thousands			
Balance at 1 January 2015	**(*) -**	**293,297**	**(48,594)**	**244,703**	**10,326**	**255,029**
Profit for the year	-	-	60,071	60,071	3,396	63,467
Other comprehensive income for the year, net of income tax (**)	-	3,372	-	3,372	(3)	3,369
Total comprehensive profit	-	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 11c)	-	116,224	-	116,224	-	116,224
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	1,499	1,499
Balance at 31 December 2015	**(*) -**	**398,007**	**11,477**	**409,484**	**15,218**	**424,702**
Profit for the year	-	-	49,037	49,037	6,510	55,547
Other comprehensive loss for the year, net of income tax	-	(2,064)	-	(2,064)	(285)	(2,349)
Total comprehensive profit (loss)	-	(2,064)	49,037	46,973	6,225	53,198
Dividend distribution (Note 11d)	-	(18,565)	-	(18,565)	-	(18,565)
Additional non-controlling interest on acquisition of subsidiary	-	-	-	-	344	344
Balance at 31 December 2016	**(*) -**	**377,378**	**60,514**	**437,892**	**21,787**	**459,679**

(*) 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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For The Year ended 31 December	2016	2015
	Euro (in thousands)	
Cash flows from operating activities:		
Profit for the year	55,547	63,467
Adjustments for:		
Deferred taxes	8,155	7,308
Sale of subsidiaries	-	(169)
Financial expenses, net	10,036	21,915
Fair value adjustment of investment properties	(28,203)	(55,293)
Depreciation of property, plant and equipment	44	32
Amortisation and impairment of intangible assets	54	(1,621)
	(9,914)	(27,828)
Changes in operating assets and liabilities:		
Increase in trade receivables	348	805
Decrease in trade and other payables	(3,225)	(3,188)
Increase in payables to related parties and shareholders	858	3,807
Decrease (Increase) in prepaid expenses and other current assets	727	(58)
Increase in other non-current liabilities	20	1,027
	(1,272)	2,393
Net cash flows from operating activities	44,361	38,032
Cash flows from investing activities:		
Payments for property, plant and equipment	(31)	(19)
Net cash outflow on acquisition of asset companies	(38,506)	(24,999)
Proceeds from the sale of financial participations	-	330
Change in deposits	(1,591)	(2,194)
Increase in loan to third party	(5,009)	(1,029)
Payments for acquisitions of investment properties	(10,917)	(44,581)
Proceeds from sale of investment property	18,597	2,003
Interest income received	1,528	6
Net cash flows from investing activities	(35,929)	(70,483)
Cash flows from financing activities:		
Proceeds from borrowings from banks	90,652	30,981
Net (repayments) proceeds from borrowings from related parties	-	(61,296)
Repayment of borrowings	(54,101)	(8,031)
Interest expense paid	(10,590)	(9,176)
IPO expenses paid	-	(290)
Net proceeds from issue of shares	-	116,224
Dividend distribution	(13,818)	(12,114)
Net cash flows from financing activities	12,143	56,298
Increase in cash and cash equivalents	20,575	23,847
Cash and cash equivalents at beginning of the year	33,583	9,736
Cash and cash equivalents at end of the year	54,158	33,583

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 1: GENERAL

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 19 April, 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 21 January 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 31 DECEMBER, 2016

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, expect for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Reportable segments – The Group operates in one segment, being 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 31 DECEMBER, 2016

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 acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

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:
Current tax is provided at amounts expected to be paid (or recovered) using the applicable tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax:
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Taxes (Cont.):

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Financial assets (Cont.)

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

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the consolidate statement of comprehensive income. Fair value is determined in the manner described in Note 18.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Financial assets (Cont.)

Derecognition of financial assets (Cont.)

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Initial recognition:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.
Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Subsequent measurement:

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

Loans and borrowings:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Offsetting of financial instruments:

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Fair value of financial instruments:

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

Amortised cost of financial instruments:

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

Impairment of financial assets:

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

Due from loans and receivables:

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

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

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Due from loans and receivables (Cont.):

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated statement of comprehensive income.

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

Available-for-sale financial investments:

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

Derivative financial instruments

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 31 DECEMBER, 2016

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 31 DECEMBER, 2016

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 31 DECEMBER, 2016

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

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

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

Key sources of estimation uncertainty:

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

Revaluation of investment properties:

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

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

Taxation

Uncertainties might exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the Group's international business relationships and the nature of contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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. (See also Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

Acquisition of assets

In regard to the transactions detailed in Note 5, the Group management and the Directors have reviewed the characteristics of the transactions in accordance with the requirements of IFRS3(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.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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[1]
- Amendments to IAS 7 Disclosure initiative[1]
- Amendments to IAS 12 recognition of deferred Tax Assets for unrealised losses[1]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was 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 31 DECEMBER, 2016

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

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

1. 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 IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit 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 31 DECEMBER, 2016

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

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

1. 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 an 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 31 DECEMBER, 2016

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

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

1. 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 an 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 15until the Group performs a detailed review.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 Leases. The new Standard supersedes IAS 17 Leases and its associated interpretative guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

IFRS 16 introduces significant changes to lessee accounting it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

The Group does not expect that this standard will have a significant effect on its financial statements.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities, however an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

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

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

Amendments to IAS 7 Disclosure Initiative (Cont.)

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give-rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

2. Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2016

- Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities): Applying Consolidation Exception.
- Amendments to IAS 1 Disclosure Initiative.
- Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

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

2. **Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2016 (Cont.)**

Amendments to IFRS 10, IFRS 12 and IAS 28 (Investment Entities); Applying the Consolidation Exception (Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interest on Other Entities.

The amendments apply retrospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments were in response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

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

2. **Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2016 (Cont.)**

Amendments to IAS 1 Disclosure Initiative (Cont.)

- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:

  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and

  - the share of other comprehensive income of associate and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

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 and 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 clarifies 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 qualify 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 application of these amendments did not have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 5: INVESTMENT PROPERTIES

A. Changes in years 2015 and 2016

	Euro in thousands
Balance at January 1 2015	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 31 December 2015	731,748
Additions during the year (C) (*)	52,885
Disposals during the year (D)	(15,015)
Reclassification to property held for sale (D)	(2,242)
Fair value adjustments during the year	28,203
Balance at 31 December 2016	795,579

(*) Including capital expenditure of approximately €12 million during 2016.

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 spaces can range from €5-20 per month per square meter; for retail properties, between €4-26 per month per square meter; for logistics properties between €2-6 per month per square meter. For office, commercial and logistics properties, discounted rates range between 5.25 % -9.0%.

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 31 DECEMBER, 2016

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 31 December 2016				As 31 December 2015			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Sqm				Sqm			
	501,336	273,137	89,177	863,650	506,666	256,942	93,292	856,900
Percent of total assets	58%	32%	10%	100%	59%	30%	11%	100%

Fair value – analysis by use

	As 31 December 2016				As 31 December 2015			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	583,824	130,667	83,330	797,821	533,175	115,040	87,114	735,329
Percent of total assets	73%	16%	11%	100%	72%	16%	12%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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 31 December 2016				As 31 December 2015			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	37,386	9,153	6,144	52,683	30,720	8,441	6,593	45,754
Percent of total assets	71%	17%	12%	100%	67%	19%	14%	100%

Adjustment to fair value – analysis by use

	As 31 December 2016				As 31 December 2015			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	26,224	3,230	(1,251)	28,203	49,789	1,501	4,003	55,293
Percent of total assets	93%	11%	(4%)	100%	96%	3%	1%	100%

Average rent

	Offices		Logistic		Retail	
	As 31 December					
	2016	2015	2016	2015	2016	2015
€/sqm/month	7.9	7.9	3.6	3.4	8	7.9
Range €	(4.7-20.5)	(4.1-20.1)	(2.3-5.9)	(2.3-5.2)	(4-25.7)	(3.5-25.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions

1. 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 acquisition expenses. The properties were part of the second portfolio mentioned in Note 5 the Group annual financial statement for the year 2015. 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. 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 these properties in 2015 resulted in a revaluation profit of approximately €42 million, which was recognized in the income statement under Fair Value of Investment Properties.

In December 2016, the Group financed one of the aforementioned six properties located in Potsdam. For further details, see Note 7H.

2. During 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**.**

3. In January 2016 the Group acquired two office buildings 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 as detailed in Note 7E.

4. In March 2016 the Group acquired a complex of three office buildings in Frankfurt 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 as detailed in Note 7F.

D. **Disposals**

1. As of 31 December 2015, 3 properties valued at approximately €3.6 million were classified as held for sale. During 2016 these properties were sold for a consideration of €4.6 million.

2. During the last quarter of 2016, the Group sold a vacant property located in Hamburg for a consideration of €14 million and a property located in Breman for a consideration of €1.3 million. The proceeds from the disposal were in line with the properties' carrying amounts and were used to repay the borrowings associated with the asset.

3. As of December 2016 a property valued at approximately €2.2 million was reclassified as held for sale. After the reporting period this property was sold for a consideration similar to its carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 6: OTHER LONG-TERM ASSETS AND LIABILITIES

	31 December	
	2016	2015
	Euro in thousands	
Other long-term financial assets:		
Available-for-sale investment – unquoted equity shares (1)	2,373	2,250
Long-term loans receivable (2)	9,135	10,292
Other financial assets	496	545
Total long term financial assets	12,004	13,087
Other long-term non-financial assets	89	104
Other long-term financial liabilities:		
Other financial liabilities	1,972	2,052

(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.

(2) Long-term loans receivable

a. The Group has an agreement to provide funding for three residential projects in Berlin up to a sum of €6.2 million (before accrued interest). 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.
To secure the recoverability of these loans, the Group received a lien over the shares of the project companies and lien rights over the projects and their income. In addition, the loans are secured by personal guarantees of shareholders of the project 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 project companies without the consent of the Group.

As of 31 December 2016:

- Loans that relate to two out of the three projects, amounting €6.1 million, which include accrued interest of €2.3 million, were classified to prepaid and other current assets due to their repayment date which is within the next 12 months.
- The repayment date of the remaining loan and its accrued interest was extended to the second half of 2018 and as such it is included under long term loans receivable.
- The first and second projects were sold and the third project is approximately 83% sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 6: OTHER LONG-TERM ASSETS (Cont.)

(2) Long-term loans receivable (Cont.)

b. In May 2016 the Group has engaged in a JV project for development of residential in Berlin, in which an existing building will be converted to 60 residential units. The project is intended to be financed by a construction loan and the additional required funds of approximately €4 million are provided as loan by the Group, in terms similar to the previous projects.
The loan and the accrued interest are repayable from the revenues of the project, in the second half of 2019.

c. After the end of the reporting period the Group has engaged in two additional JV projects for development of 95 residential units in Berlin. The projects are intended to be financed by a construction loan and the additional required funds of approximately €7 million are provided as loan by the Group, in terms similar to the previous projects.
The loan and the accrued interest are repayable from the revenues of the project, in the second half of 2020.

NOTE 7: INTEREST - BEARING LOANS AND BORROWING

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

	Effective interest rate	Maturity	31 December 2016	31 December 2015
	%		Euro in thousands	
Current:				
Current maturities of long term loans	(*)1.75-3.14	2017	11,804	7,075
Non-current:				
Secured bank loans	(*)1.75-3.14	(**)2018-2026	349,526	316,765

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

(**) Amount of €1,337 million matures in 2026.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

B. In March 2015 the Group refinanced 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. The seven year facility bears an amortisation rate of 3% resulting in a repayment amount of approximately €26 million in 31 March 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 the above covenants.

C. In January 2016, the Group financed the acquisition of two office buildings in Munich and Duisburg. The loan amounted to €10.5 million and was provided by a German bank for a 10 years term at a fixed interest rate of 1.8% per annum and an annual amortisation rate of 3%.

D. In March 2016 the Group financed the acquisition of a complex in Frankfurt, Oberursel. The loan amounted to €18.5 million and was provided by a German bank for a 10 years term at a fixed interest rate of 2.26% per annum and an annual amortisation rate of 2.5%.

E. In May 2016, the Group refinanced a €24 million non-recourse debt facility with a €40 million loan provided by a German lender. The debt facility, which was secured by the property, was previously acquired by the Group during 2015 as part of the acquisition of the complex of office buildings in Stuttgart, Germany.
The new 10 years term debt facility was provided at a fixed interest rate of 2.25% per annum and an annual amortisation rate of 4.15%.

F. In August 2016, the Group refinanced an additional part of the property complex located in Stuttgart, Germany. The €3.85 million debt facility was provided by a the same German lender for a 10 year term at a fixed interest rate of 2.1% per annum and annual amortisation rate of 3.5%.

G. In December 2016, the Group financed an office building located in Potsdam, which was previously acquired by the Group’s own resources. The €16 million debt facility was provided by a German lender for a 10 year term at a fixed interest rate of 1.76% and annual amortisation rate of 3%.

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

I. The outstanding costs of raising loans as of 31 December, 2016 are €3.6 million (2015: €3.8 million). These are presented net of interest-bearing loans and borrowings and amortised over the period of the loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 8: TRADE RECEIVABLES

	31 December 2016	31 December 2015
	Euro in thousands	
Trade receivables	3,027	3,532
Provision for doubtful debts	(1,730)	(1,948)
	1,297	1,584

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

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

	Total	< 30 days	30 – 60 days	60 – 90 day	90 – 120 day	>120 days
	Euro in thousands					
2016	1,297	303	304	61	19	610
2015	1,584	429	477	57	93	528

Movements in the provision for doubtful debts:

	Euro in thousands
At 1 January 2015	2,446
Released	240
Utilised	(738)
At 31 December 2015	1,948
Released	(144)
Utilised	(74)
At 31 December 2016	1,730

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2016	31 December 2015
	Euro in thousands	
Prepaid expenses and other (*)	7,627	1,294
Service charge	4,721	3,761
Designated cash	3,785	2,194
	16,133	7,249

(*) The balance increased during the period due to classification of residential projects loans amounted to €6.1 million as described in Note 6(2) and as a result of an increase in the balance of cash designated for capital expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 10: CASH AND CASH EQUIVALENTS

	31 December	
	2016	2015
	Euro in thousands	
Cash at banks	54,158	33,583

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 1 January 2015	293,971,291
Issue of shares (d)	171,428,571
At 31 December 2015	**465,399,862**
Change in the period	-
At 31 December 2016	**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, which balance as of 31 December 2016 is €379.4 million (as of 31 December 2015 – €398 million). The change during the year was due to dividends distributed in 2016 (as detailed in D below).
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 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).

D. Distribution of dividends:

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

During 2015 the Company declared quarterly dividends amounted to a total of 3.64 cents per share. The total amount of €14.89 million was paid to the shareholders during 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 11: SHARE CAPITAL (Cont.)

D. Distribution of dividends: (Cont.)

In March 2016 the Company declared a dividend of 0.95 cent per share. The total amount of €4.42 million was paid to the shareholders in April 2016.

In July 2016, the Company declared a dividend of 1.00 cent per share. The total amount of €4.65 million was paid to the shareholders in August 2016.

In September 2016, the Company declared a dividend of 1.02 cent per share. The total amount of €4.75 million was paid to the shareholders in November 2016.

In December 2016, the Company declared a dividend of 1.02 cent per share the total amount of €4.75 million was paid to the shareholders after the end of the reporting period in February 2017.

E. NAV and EPRA NAV:

	As of 31 December 2016		**As of 31 December 2015**	
	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	437,892	0.94	409,484	0.88
Financial derivatives	7,923		5,092	
Deferred Tax, net	20,472		12,892	
EPRA NAV (**)	466,287	1.00	427,468	0.92

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

F. As of 31 December 2015, Mr Harry Hyman, the Non-Executive Chairman of the Company held 125,000 Ordinary Shares of No Par Value, representing 0.026% of the issued share capital of the Company.

During 2016, the Company was notified that Mr Harry Hyman purchased 1,378 Ordinary Shares of No Par Value in the Company at an average price of 96.9 cent per share. After the end of the reporting period and up to the time of this report, the Company was notified that Mr Harry Hyman purchased additional 372 Ordinary Shares of No Par Value in the Company at an average price of 99.5 cent per share. Following the described purchases, Mr Hyman holds 126,750 Ordinary Shares of No Par Value, representing 0.027% of the issued share capital of the Company.

G. In February 2016 the Company obtained an Aa3 ("very strong") issuer rating by Midroog rating agency, a subsidiary of Moody's.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 12: EARNINGS PER-SHARE

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

	Year ended 31 December	
	2016	2015
	Euro in thousands	
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	49,037	60,071

	Year ended 31 December	
	2016	2015
	In thousands	
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	465,400	450,329

Earnings Per Share:	Year ended 31 December	
	2016	2015
Basic (Euro per share)	0.105	0.133
Diluted (Euro per share)	0.105	0.133

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	
	31 December		31 December	
	2016	2015	2016	2015
	Euro in thousands		Euro in thousands	
Related parties	169	243	5,507	2,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

A. Compensation of key management personnel of the Company:

	2016	2015
	Euro in thousands	
Directors' fees	282	236
Management fees (*)	1,360	1,412
Total compensation paid to key management personnel	1,642	1,648

(*) - including the remuneration to the Company's finance director

Assets Management Company and ultimate controlling party:

At the date of this report Summit Real Estate Holdings Ltd ("**SHL**") holds approximately 50.01% of the Ordinary shares in the Company. SHL is under the control of Mr. Zohar Levy, the Managing Director of the Group. Summit Management CO S.A. ("SMC"), a company 100% owned by Zohar Levy, was appointed as an Asset Manager on 19 May 2006. The terms of this appointment were revised in February 2014. Additional amendment has been taken place after the end of the reporting period. For the terms and conditions of the management agreement, refer to Note 13b.

The amounts owed to related parties as of 31 December 2016 include the provision for management fees to SMC in the amount of €971,000 (including a provision for a performance based compensation in the amount of €750,000).

Terms and conditions of the management agreement

The management agreement was amended in 14 February 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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

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

Terms and conditions of the management agreement (Cont.)

The annual performance-based bonus of €750,000 may be payable in each accounting year, where the amount is 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 annual performance-based 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 31 December 2016 the performance criteria were met and a provision in the amount of €750,000 was included in the Group's annual financial statements. The payment of the performance-based bonus is subject to an approval of the remuneration and nomination committee of the Group.

In March 2017 the management agreement was revised through implementation of three principal amendments to the fee payable to SMC.

The annual advisory fee payable to SMC remains €750,000, but going forward SMC is obliged to provide the services of the Managing Director only and not the services of the Finance Director, which is engaged directly by the Group since November 2014.

The existing annual performance-based bonus entitlement of SMC remains capped at a maximum of €750,000 per annum. However, the basis on which the Bonus amount is calculated has been amended so that it is no longer based on the Group's FFO, but by reference to the aggregate return to the shareholders of the Company at the end of each accounting year, whether as a result of dividends received and/or an increase in the net asset value of the Group (excluding any increase due to revaluations) (the "**Return**"). The performance-based bonus is calculated on a pro-rata basis for any increase in the Return up to and including 5.5%.

SMC shall be entitled to receive a "**Special Bonus**" if, at any time in the period commencing on 1 January 2017 and ending on the date falling three years thereafter (i.e. 1 January 2020), there is a qualifying sale or series of sales of any properties of the Group. A qualifying sale or series of sales is one, which alone or in aggregate, results in the proceeds received by the Summit Group, (net of any costs and expenses incurred in connection with the relevant sale(s)) and less the value (as stated in the Group's valuation as at 30 June 2016) of the properties sold, being greater than €50 million (the whole of such amount being the "**Qualifying Amount**"). The Special Bonus shall be an amount equal to five per cent. of the Qualifying Amount and is subject to a total aggregate cap of €10 million over the three year term.
In addition, in the first accounting year in which a Special Bonus is payable, any bonus payable in that same year shall be deducted from the amount of the Special Bonus so payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

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

Terms and conditions of the management agreement (Cont.)

The articles of association of SFL **("SFL Articles")** contain certain provisions which relate to SMC's carried interest entitlement in respect of their services provided under the initial Portfolio Management Agreement from 2006. SMC holds special B shares in Summit Finance Limited which will give it the right to receive a carried interest if the Company distributes a cash return on shareholders' equity of at least 8% in any financial year ("the Hurdle"). SMC will be entitled to receive 25% of the cash return in that year in excess of the Hurdle after deducting the carried interest entitlement. If the Company has not achieved a cash return on shareholders' equity of at least 8% in any previous year **("a Shortfall")**, the carried interest will not be paid until the Shortfall has been made up. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of aforementioned. As of 31 December 2016, the Shortfall is approximately €205.1 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is extremely low.

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

NOTE 14: TRADE AND OTHER PAYABLES

	31 December	
	2016	**2015**
	Euro in thousands	
Accrued expenses	2,676	2,225
Accrued interest	1,512	1,621
Service charge prepayments	4,845	3,052
VAT	520	505
Provision for maintenance	8,089	7,785
Other trade payables	7,081	4,975
	24,723	20,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 15: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2016	2015
	Euro in thousands	
Management and directors' fees (a)	1,792	1,741
Professional fees (b)	1,259	1,491
Salaries	2,963	2,594
Administration fees	98	172
Other expenses	1,084	577
Office expenses	240	209
	7,436	6,784

(a) See Note 13 for details on the management agreement

(b) Professional fees include audit fees in the amount of €207,000 (2015: €278,000).

NOTE 16: FINANCIAL EXPENSES (INCOME)

	Year ended 31 December	
	2016	2015
	Euro in thousands	
Financial expenses:		
Interest on bank borrowings	10,393	10,177
Amortisation of cost of raising loans	842	775
Expenses on currency exchange (*)	-	3,516
Release of hedging reserve (hedging of foreign exchange – shareholder loan) (*)	-	3,596
Early repayment penalty (*)	-	4,446
Other	580	550
Total financial expenses	11,815	23,060
Financial income:		
Interest income on short-term deposits	15	6
Income on currency exchange	132	-
Other	1,632	1,308
Total financial income	1,779	1,314

(*) Non-recurring expenses as a result of the repayment of the Shareholders Loan, as described in Note 13 to the Group annual financial statements for the year 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 17: TAXATION

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

	Year ended 31 December	
	2016	2015
	Euro in thousands	
Current income tax:		
Current income tax charge	198	154
Deferred income tax (See C):		
Relating to origination and reversal of temporary differences	8,155	7,308
Income tax expense reported in the statement of comprehensive income	8,353	7,462

B) 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 31 December 2016 is 15.825% (31 December 2015: 15.825%). The majority of the Group subsidiaries are subject to German tax which will include RETT on property transactions, where applicable. Certain Group subsidiaries are taxable in Guernsey at 0%.

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 31 December	
	2016	2015
	Euro in thousands	
Profit before taxes on income	63,900	70,929
Tax at the statutory tax rate in Germany (15.825%)	10,112	11,225
Increase (decrease) in respect of:		
Losses for which deferred taxes were not recorded	1,915	481
Effect of different tax rate	(4,479)	(3,359)
Non-deductible expense	(87)	365
Deferred tax reverse	-	-
Difference between tax and reporting GAAP	1,651	(583)
Other	(759)	(667)
Income tax expense	8,353	7,462

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 17: TAXATION (Cont.)

C) Deferred income tax:

	Consolidated statement of financial position	
	2016	2015
	Euro in thousands	
Deferred tax asset (liability)		
Revaluations of investment properties to fair value	(33,623)	(20,661)
Losses carried forward	11,386	6,889
Revaluations of financial instruments	810	235
Provisions	840	548
Other	115	97
Deferred tax assets (liabilities), net	(20,472)	(12,892)

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	
	2016	2015
	Euro in thousands	
Deferred tax asset	655	485
Deferred tax liability	(21,127)	(13,377)

	Consolidated statement of comprehensive loss (income)	
	2016	2015
	Euro in thousands	
Deferred tax expense (income)		
Revaluations of investment properties to fair value	12,962	8,567
Losses carried forward	(4,497)	(1,617)
Provisions	(292)	258
Other	(18)	100
Increase in deferred tax, net	8,155	7,308

	Other comprehensive loss	
	2016	2015
	Euro in thousands	
Deferred tax expense (income)		
Revaluations of financial instruments	575	(39)
Increase in deferred tax, net	575	(39)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 17: TAXATION (Cont.)

D) Group's carried forward tax losses for which deferred taxes were not recognized are €97 million (as of 31 December 2015 – €91 million). Deferred tax assets on loss carry forward are recognized by the Group according to the applicable tax laws, to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

E) Real Estate Transfer Tax:
Transactions concerning German real estate may trigger Real Estate Transfer Tax (RETT) of 3.5% to 6.5% of the purchase price or the asset value, according to the location of the real estate.

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 31 December 2016 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.

However, fixing the interest rates of bank loan agreements exposes the Group to market risk on changes in fair value of the swap, as presented below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Market risk (Cont.):

- **Interest rate risk (Cont.):**

Sensitivity of changes in swap interest rate

	effect	
	5% increase in swap interest rate	5% decrease in swap interest rate
	Euro in thousands	
2016	(39)	39
2015	179	(179)

- **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. As of 31 December 2016, the Group does not hold any marketable securities and available for sale financial instruments:

Sensitivity of changes in equity price

	Profit (losses) impact	
	5% increase in equity price	5% decrease in equity price
	Euro in thousands	
2016	-	-
2015	86	(86)

- **Credit risk:**
Credit risk is the risk that counterparty will not meet its obligations, as reflected as of the period end in the 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 31 DECEMBER, 2016

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

- **Credit risk (Cont.):**

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.

The Group does not invest its cash with banks that have a low credit rating.

Liquidity risk:

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 based on contractual undiscounted payments.

	As at 31 December 2016					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	23,180	44,780	32,523	21,357	297,536	419,376
Trade and other payables	26,398	-	-	-	-	26,398
Other liabilities	65	-	-	-	-	65
Payables to related parties and shareholders	5,507	-	-	-	-	5,507
	55,150	44,780	32,523	21,357	297,536	451,346

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 based on contractual undiscounted payments.

	As at 31 December 2015					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	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
	41,955	20,209	41,871	29,688	271,305	405,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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 31 December 2016 and 31 December 2015.

The gearing ratios at 31 December 2016 and 31 December 2015 were as follows:

	2016	2015
	Euro in thousands	
Non current interest bearing loans and borrowings	355,774	320,379
Current liabilities	13,479	8,553
Less cash and short term deposits	(54,158)	(33,583)
Net debt	315,095	295,349
Equity	459,679	424,702
Total capital	774,774	720,051
Gearing ratio	41%	41%

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 31 DECEMBER, 2016

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (see Note 5)	-	-	797,821	797,821
Available-for-sale financial assets				
Unquoted equity shares (a)	-	-	2,373	2,373
Total	-	-	800,194	800,194
Financial liabilities				
Derivative instruments – swaps (b)	-	(7,923)	-	(7,923)

(a) The change in unquoted equity shares from 31 December 2015 resulted from an increase in the value of investment in the unquoted equity in the amount of €123 thousand (During 2015: €124 thousand). The increase presented in other comprehensive income – net profit (loss) arising on revaluation of available for sale financial asset.

(b) Derivative instruments:

The fair value of derivative interest rate contracts (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.

The Group contracted 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.

€1,675 thousand (2015: €1,478 thousand) of the balance is presented in current liabilities, and €6,248 thousand in non-current liabilities (2015: €3,614 thousand in other long-term financial assets).

	31 December 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	-	-	2,250	2,250
Total	-	-	737,581	737,581
Financial liabilities				
Derivative instruments - swaps [(b)]	-	(5,094)	-	(5,094)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

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 approximately 4.4 years). The majority of the leases include a clause to enable upward revision of the rental charge on an annual basis according to the price index or a fixed increase rate.

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

	Euro in thousands	
	For the year ended 31 December 2016	For the year ended 31 December 2015
Within one year	55,164	54,124
After one year but not more than five years	156,291	149,249
More than five years but not more than ten years	55,142	45,724
More than ten years but not more than fifteen years	13,314	12,026
More than fifteen years	1,110	2,775
	281,021	263,898

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 20: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2016

	Principal activity	Country of incorporation	Direct and indirect holdings %
Summit Finance Limited	Inter group financing 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%
Gallia invest Sarl	Inter group financing company	Luxembourg	100%
Summit Sterne Guernsey Ltd.	Inter group financing 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 Magdebug GmbH	Intermediate holding company	Germany	100%
Summit Real Estate Hauau GmbH	Intermediate holding company	Germany	100%
Summit RE Four GmbH	Inter group financing company	Germany	100%
Summit RE Five GmbH	Intermediate holding company	Germany	100%
Summit RE Six 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 Real Estate Ismaning GmbH	Real Estate company	Germany	94.67%
Summit Real Estate Duisburg GmbH	Real Estate company	Germany	94.67%
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
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 20: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2016 (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%
Grundstucksgesellschaft 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 Oberusel GmbH	Real Estate company	Germany	94.89%
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	Real Estate company	Germany	74.49%
GET Grundstücksgesellschaft mbH	Intermediate holding company	Germany	74.23%
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
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 20: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2016 (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 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%
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
FOR THE YEAR ENDED 31 DECEMBER, 2016

NOTE 20: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2016 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
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%
DRESTATE Objekt München, Maria-Probst-Straße GmbH & Co. KG	Real Estate company	Germany	78.47%

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