



ANNUAL REPORT AND ACCOUNTS 2020

SUMMIT
Properties Ltd

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Deutsche Med, Rostock

Management Review

Summit Properties Limited 2020 Full Year Results

We are pleased to present the audited results for the year ended 31 December 2020 ("the Reporting Period") of Summit Properties Limited ("the Company") and its subsidiaries ("the Group").

The strong results of our intensive asset management activities, combined with new acquisitions and debt refinancing are summarised below and are further detailed in the Group's financial statements and accompanying notes.

In the first quarter of 2020 we have proposed a tender offer and delisting to our shareholders. Following the shareholders' approval, the Company's shares were delisted on 17 March 2020.

Post reporting period we have identified unique acquisition opportunities in the US real estate market and have engaged with local US partners to acquire several properties as further described.

For events related to COVID-19 during the Reporting Period, see note 24 of the Group's financial statements.

Financial Review

Profits

- Net profit of €97.8 million (FY 2019: €137.5 million)
- Profit Before Tax (PBT) of €116.4 million (FY 2019: €166.5 million)
- EBITDA of €130.3 million (FY 2019: €180.9 million)
- Gross profit of €70.9 million (FY 2019: €78.6 million)
- The results above include 2020 revaluation profit of €72.6 million (FY 2019: 117.8 million)

NAV

- EPRA Net Asset Value (NAV¹) amounted to €0.94 billion (FY 2019: €1.01 billion)
- Group's NAV of €0.81 billion (FY 2019: €0.89 billion)
- Total Assets of €1.64 billion (FY 2019: €1.71 billion)

The major changes in EPRA NAV include €72.6 million revaluation profit, offset mainly by a €3.6 million one-off cost, as further explained in Note 13 of the Group's financial statements. That was supplemented by a €47.5 million Funds From Operations (FFO¹) contribution, offset by €179.9 million that was returned to shareholders via share buyback.

¹ Alternative performance measures

The Group prepares its financial statements using IFRS. However, it also uses a number of adjusted measures in assessing and managing performance of the business.

EPRA metrics:

Performance measures used by the Group include those defined by EPRA, are designed to enhance transparency and comparability across the European real estate sector. The Group considers these standard metrics to be the most appropriate method of reporting the value of the business and a reconciliation to IFRS numbers is included in note 11(d) of the financial statements.

Funds From Operations ('FFO'):

The Group considers this measure to be most appropriate when considering its dividend policy as it is a cash measure and it is familiar to non-property and international investors. Funds From Operations is a measure determined by recurring operating profits, deducted by the Group's interest expenses and excludes other one off expenses or fair value adjustments.

Operational Review

Rent and operations

- Rental income of €76.4 million (FY 2019: €82.1 million)
- Annualised net rent of €76.8 million, equivalent to 5.2% rental yield
- FFO amounted to €47.5 million (FY 2019: €53.2 million)
- Average rent per sqm per month of €7.5 across the portfolio is lower than ERV
- 88% occupancy over the portfolio's majority
- New leases and renewals for approximately 124,000 sqm, securing rental income of ca. €11.7 million p.a.

Decrease in rental income and FFO was mainly due to the sale of an office building in Berlin at the end of 2019. On like-for-like basis, no material change in rental income while FFO increased by 3.7%.

Portfolio

- Portfolio of 101 properties with a Net Market Value (NMV) of €1.5 billion (FY 2019: 102 properties at €1.4 billion NMV)
- €5 million office acquisitions, net of disposals, during the Reporting period.
- Disposal of three properties post Reporting Period at their NMV of €20.8 million. The properties are classified as held for sale as of 2020 year-end.
- USD 19 million investment post Reporting Period in several properties in the US through joint venture with local US partners.
- For further analysis and information of the Group's portfolio, see note 5 of the Group's financial statements.

Financing and capital resources

- €13.2 million secured debt facilities to refinance several properties in Hannover
- As at the end of the Reporting Period, the Group's Net LTV is approx. 33% (FY 2019: 24%) with an average interest rate of 2.2% and average unexpired term of approx. 4.5 years.
- For more information on the Group's debt facilities, see note 7 of the Group's financial statements.

Dividends and equity

- Tender offer and cancellation of the admission of the Company's shares to trading on AIM; Approx. 124 million shares (being approx. 28% of the Company's issued share capital) were tendered and repurchased by the Company at a price of €1.45 per share.
Delisting of the Company's shares from AIM on 17 March 2020. For more information, see note 11 of the Group's financial statements.

Acquisitions in the US Post Reporting Period

- The Company has been seeking to diversify its real estate business and pursue investment opportunities throughout real estate markets, other than Germany.
During 2020 the Company identified the evolutions taking place in the US real estate market, which currently create an attractive acquisition environment and offer unique acquisition opportunities.
Post Reporting Period, subsidiaries of the Company partnered with local US real estate specialists and acquired several properties via joint ventures. The transactions are undertaken through special purpose companies, which are controlled by the Company, while the local partner is responsible for the ongoing operation of the properties and the companies. The local partner is not affiliated with the Company or its controlling shareholders.
As of this date, the Company invested USD 19 million for its share in the capital required for the various transactions. Further transactions are currently under examination.

Main Risks and Uncertainties

Below are the key risks the Group is exposed to during the Reporting Period, the measures taken to mitigate them and additional commentary:

Financial risks:

Risk: Exposure to interest rate movement

Impact: Movement in underlying interest rates could adversely impact 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.

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. The Group strives to achieve long term financing arrangements and begins to investigate refinancing opportunities well in advance of maturity dates.

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 of directors. Forward funding commitments are only entered into if supported by committed, available funds. As of 31 December 2020, the Group's available cash amounted to approx. €110 million, LTV of 40% and unencumbered assets of approx. €686 million.

Risk: Banking facilities include various covenant requirements

Impact: A failure to meet loan covenants could result in possible default or penalties.

Mitigation: The Group regularly monitors 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 borrowings at levels below the maximum covenant requirements. The group also strives to retain flexibility of substituting security or refinancing loans should it need to. As at 31 December 2020 the Group complies with the covenants included in loan agreements.

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 vacancy costs should significant decrease in demands or devaluation of the portfolio occur.

Property market risks (Cont.)

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 to tenants' default include among others rent deposits or bank guarantees as well as periodical credit analysis when necessary. The board is also seeking to invest in different jurisdictions.

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 Group's possibilities for purchasing attractive yield properties.

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

Risk: **Major decrease in property values**

Impact: Major decrease in property values may have an impact on the Group's loan to value 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 impact 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.

COVID-19:

See note 24 of the Group's financial statements.



Hafenstr 16, Saarbrücken

Financial statements



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Summit Properties Limited

Opinion

We have audited the consolidated financial statements of Summit Properties Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Brightman Almagor Zohar & Co.

Certified Public Accountants

A Firm in the Deloitte Global Network

Haifa, 25 May 2021

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SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December		2020	2019
	<i>Note</i>	<i>Euro (in thousands)</i>	
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	5	1,457,729	1,393,889
Other long-term assets	6	25,472	22,492
Deferred tax assets	17	-	121
Properties for development	22	9,188	6,073
Total non-current assets		<u>1,492,389</u>	<u>1,422,575</u>
CURRENT ASSETS:			
Inventory of buildings under construction	21a	-	427
Prepaid expenses and other current assets	9	10,914	17,534
Contract assets	21b	-	1,273
Receivables from related parties	13	73	220
Trade receivables, net	8	3,167	1,873
Investment property held for sale		20,750	-
Cash and cash equivalents	10	109,785	262,086
Total current assets		<u>144,689</u>	<u>283,413</u>
Total assets		<u><u>1,637,078</u></u>	<u><u>1,705,988</u></u>

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

SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December		2020	2019
	Note	Euro (in thousands)	
EQUITY AND LIABILITIES			
EQUITY:	11		
Share capital			
Other reserve		154,890	334,585
Retained gain		658,551	559,915
Equity attributable to the owners of the Company		813,441	894,500
Non-controlling interests		67,153	69,934
Total equity		880,594	964,434
NON-CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	7	525,937	585,077
Other long-term financial liabilities	6	3,166	1,642
Derivative financial liabilities	18	2,190	2,052
Deferred tax liability	17	128,236	111,169
Total non-current liabilities		659,529	699,940
CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	7	67,916	10,269
Payables to related parties	13	4,665	3,617
Current tax liabilities		1,144	811
Trade and other payables	14	23,230	26,917
Total current liabilities		96,955	41,614
Total liabilities		756,484	741,554
Total equity and liabilities		1,637,078	1,705,988
NAV/Share (cent)	11	252.83	201.00
EPRA NAV/Share (cent)	11	293.37	226.31

25 May 2021

Date of approval of the
financial statements

Zohar Levy
Managing Director

Itay Barlev
Finance Director

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

SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year ended 31 December		2020	2019
	<i>Note</i>	<i>Euro (in thousands)</i>	
Rental income		76,376	82,052
Revenues from sale of apartments		4,473	13,999
Operating expenses		(5,981)	(6,397)
Cost of sale of apartments		(3,993)	(11,103)
Gross profit		<u>70,875</u>	<u>78,551</u>
General and administrative expenses	15	(10,151)	(11,375)
Fair value adjustments of investment properties	5	72,584	117,836
Other expenses		(3,313)	(4,360)
Operating profit		<u>129,995</u>	<u>180,652</u>
Financial income	16	1,679	1,723
Financial expenses	16	(15,323)	(15,896)
Total financial expenses		<u>(13,644)</u>	<u>(14,173)</u>
Profit before taxes on income		116,351	166,479
Tax expenses	17	(18,529)	(28,999)
Profit for the year		<u>97,822</u>	<u>137,480</u>
Other comprehensive income and expenses:			
Items that may be reclassified subsequently to profit or loss:			
Changes in hedging instruments entered into for cash flow hedges		(144)	(640)
		<u>(144)</u>	<u>(640)</u>
Items that will not be reclassified subsequently to profit or loss:			
Net gain arising on revaluation of financial assets through OCI		269	697
		<u>125</u>	<u>57</u>
Total comprehensive income for the year		<u>97,947</u>	<u>137,537</u>
Profit for the year attributable to:			
Owners of the Company		90,408	126,721
Non-controlling interests		7,414	10,759
		<u>97,822</u>	<u>137,480</u>
Total comprehensive income attributable to:			
Owners of the Company		90,572	126,763
Non-controlling interests		7,375	10,774
		<u>97,947</u>	<u>137,537</u>
Earnings Per Share:			
Basic (Euro per share)	12	0.264	0.278
Diluted (Euro per share)		<u>0.264</u>	<u>0.278</u>

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

SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (note 11)	Other Reserves (note 11)	Retained Earnings	Total equity attributable to owners of the parent Company	Non- Controlling interests	Total equity
	<i>Euro (in thousands)</i>					
Balance at 1 January 2019	(*) -	348,775	433,194	781,969	59,319	841,288
Profit for the year	-	-	126,721	126,721	10,759	137,480
Other comprehensive profit for the year, net of income tax	-	42	-	42	15	57
Total comprehensive profit	-	42	126,721	126,763	10,774	137,537
Dividend distribution (note 11C)	-	(2,286)	-	(2,286)	-	(2,286)
Buy back of shares (note 11F)	-	(15,504)	-	(15,504)	-	(15,504)
Transactions with the company's controlling shareholder	-	3,558	-	3,558	-	3,558
Acquisition of non-controlling interest	-	-	-	-	(159)	(159)
Balance at 31 December 2019	(*) -	334,585	559,915	894,500	69,934	964,434
Profit for the year	-	-	90,408	90,408	7,414	97,822
Other comprehensive profit for the year, net of income tax	-	164	-	164	(39)	125
Total comprehensive profit	(*) -	164	90,408	90,572	7,375	97,947
Dividend distribution	-	-	-	-	(42)	(42)
Buy back of shares (note 11F)	-	(179,859)	-	(179,859)	-	(179,859)
Transaction with non-controlling interests (note 11G)	-	-	8,228	8,228	(10,114)	(1,886)
Balance at 31 December 2020	(*) -	154,890	658,551	813,441	67,153	880,594

(*) No par value.

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

SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year ended 31 December	2020	2019
	<i>Euro (in thousands)</i>	
<u>Cash flows from operating activities:</u>		
Profit for the year	97,822	137,480
Adjustments for:		
Deferred taxes	17,210	28,437
Financial expenses, net	13,644	14,173
Fair value adjustment of investment properties	(72,584)	(117,836)
Transactions with the company's shareholder	-	3,558
Depreciation of property, plant and equipment	279	179
Amortisation and impairment of intangible assets	29	29
Other long term Assets	321	45
	<u>(41,101)</u>	<u>(71,415)</u>
Changes in operating assets and liabilities:		
(Increase) decrease in trade receivables	(22)	3,242
Decrease in trade and other payables	(2,269)	(4,768)
Increase in payables to related parties and shareholders	1,167	1,045
(Increase) decrease in inventors of buildings under construction	(2,688)	1,360
Decrease in prepaid expenses and other current assets	(144)	1,697
Increase (decrease) in other non-current liabilities	233	(239)
	<u>(3,723)</u>	<u>2,337</u>
Net cash flows from operating activities	52,998	68,402
<u>Cash flows from investing activities:</u>		
Payments for property, plant and equipment	-	(76)
Change in deposits and designated cash	(2,292)	(3,800)
Change in loans to third party	6,765	6,564
Additions to investment properties	(13,163)	(12,086)
Proceeds from sale of investment property	1,493	225,000
Net cash flows from (used in) investing activities	<u>(7,197)</u>	<u>215,602</u>
<u>Cash flows from financing activities:</u>		
Proceeds from borrowings from banks	8,181	29,172
Repayment of borrowings	(13,066)	(38,935)
Interest expense paid	(13,316)	(13,731)
Net cash outflow on acquisition of non-controlling interest	-	(159)
Buy back of shares	(179,859)	(15,504)
Dividend distribution	(42)	(2,286)
Net cash flows used in financing activities	<u>(198,102)</u>	<u>(41,443)</u>
(Decrease) increase in cash and cash equivalents	(152,301)	242,561
Cash and cash equivalents at beginning of the year	262,086	19,525
Cash and cash equivalents at end of the year	<u>109,785</u>	<u>262,086</u>

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

NOTE 1: GENERAL

Summit Properties Ltd. (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 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.

In February 2019, the Company changed its name from Summit Germany Limited to Summit Properties Limited.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The principal accounting policies adopted are set out below.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Basis of accounting (Cont.)

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.

For further information regarding the reportable segments see note 23.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Basis of consolidation (cont.):

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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 the 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.

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

Business combinations:

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Revenue recognition:

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer. The following specific recognition criteria must also be met before revenue is recognised:

Rental income (*The Group as lessor*):

The Group enters into lease agreements as a lessor with respect to its investment properties. Such leases are classified as operating leases in accordance with IFRS 16.

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

Revenues from the sale of apartments:

The Group constructs and sells residential properties under long-term contracts with customers. Such contracts are entered into before construction of the residential properties begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this method is an appropriate measure of the progress towards completion of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Leases:

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Leases: (Cont.)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Foreign currencies:

In preparing the financial statements of the Group 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 assets and liabilities that are 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.

Taxation:

The income tax expense represents the sum of tax currently payable and deferred tax.

Current Taxes:

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Taxation: (Cont.)

Deferred tax:

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises 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 arising on investments in subsidiaries and associates, 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

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

Current tax and deferred tax for the year:

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Financial instruments (Cont.)

Financial assets (Cont.)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Financial instruments (Cont.)

Financial assets (Cont.)

(ii) Equity instruments designated as at FVTOCI (cont.)

Dividends from these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The Group has designated all investments in equity instruments that are not held for trading as FVTOCI on initial application of IFRS 9.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost - trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date.

The Group recognises lifetime expected credit losses (ECL) for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and the economic environment. This is further enhanced with specific provisions where this is deemed appropriate by management.

For other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Financial instruments (Cont.)

Financial assets (Cont.)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Financial instruments (Cont.)

Financial liabilities and equity (Cont.)

Financial liabilities

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

All of the Group financial liabilities are presented and measured at amortised cost.

Financial liabilities are initially recognised at fair value less transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, including options and interest rate swaps.

Further details of derivative financial instruments are disclosed in note 18.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. 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 affects profit or loss, in the same line as the recognised hedged item.

However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Inventory of buildings under construction and properties for development:

Inventory of buildings under construction and properties for development are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

Cost of inventories of apartments under construction and inventories of real estate comprises identifiable direct costs of land such as taxes, fees and duties and construction costs.

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 cash equivalents:

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Provisions:

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

In applying the Group's accounting policies, which are described in Note 2 above, management is required to make judgements that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 reporting period that may 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.

- **Valuation 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 at least 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 market rents and the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 5.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

Key sources of estimation uncertainty (Cont.):

- **Taxation**

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

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 judgement 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).

Critical accounting judgements:

The following are the critical judgements that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

- **Business combination or acquisition of assets**

In each transaction for purchasing an investment property, the Group Management review the characteristics of the transactions in accordance with the requirements of IFRS 3. When reaching a conclusion regarding applying appropriate accounting treatment, the Management consider obtaining control over the purchased entities, the characteristic of the purchased entities and the existence of business processes inherent in these entities considering acquisition a set of activities and assets that include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

New and amended IFRS Standards that are effective for the current year

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

New and amended IFRS Standards that are effective for the current year (Cont.):

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: INVESTMENT PROPERTIES

A. Changes in years 2019 and 2020

	Euro in thousands
Balance at 1 January 2019	1,488,967
Additions for the year	12,086
Disposals during the year (D)	(225,000)
Fair value adjustments during the year	117,836
Balance at 31 December 2019	<u>1,393,889</u>
Additions for the year (C)	13,499
Disposals during the year (D)	(1,493)
Reclassification to property held for sale (E)	(20,750)
Fair value adjustments during the year	72,584
Balance at 31 December 2020	<u><u>1,457,729</u></u>

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

- 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. This valuation has been conducted in the form of a full Valuation Report (hereinafter referred to as "Valuation Report") for the determination of Market Value carried out by Savills Advisory Services Germany GmbH & Co. KG. The valuation is in accordance with the RICS Valuation - Global Standards (July 2017) of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

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.

SUMMIT PROPERTIES LIMITED
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NOTE 5: INVESTMENT PROPERTIES (Cont.)

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

1. (Cont.)

The valuations consider the profile of the tenants, which are legally committed to lease agreements, 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 (2019: €5-20); for retail properties, between €4-19 per month per square meter (2019: €4-19); for logistics properties between €2-13 per month per square meter (2019: €2-13). For office, commercial and logistics properties, discount rates range between 3.3 % - 8.8% (2019: 3.3% - 8.8%).

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

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 the fair value of investment properties 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 2020				As 31 December 2019			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Sqm				Sqm			
	612,076	319,160	57,356	988,592	601,065	341,359	61,442	1,003,866
Percent of total assets	62%	32%	6%	100%	60%	34%	6%	100%

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: INVESTMENT PROPERTIES (Cont.)

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

2. Supplemental information (Cont.)

Fair value – analysis by use

	As 31 December 2020				As 31 December 2019			
	Offices(*)	Logistic	Retail	Total	Offices(*)	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	1,076,039	325,040	77,400	1,478,479	1,020,229	296,730	76,930	1,393,889
Percent of total assets	73%	22%	5%	100%	73%	21%	6%	100%

(*) Including fair value of associated building rights.

NOI – analysis by use

	As 31 December 2020				As 31 December 2019			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	51,217	14,715	4,463	70,395	53,516	17,402	4,737	75,655
Percent of total assets	73%	21%	6%	100%	71%	23%	6%	100%

Adjustment to fair value – analysis by use

	As 31 December 2020				As 31 December 2019			
	Offices	Logistic	Retail	Total	Offices	Logistic	Retail	Total
	Euro in thousands				Euro in thousands			
	43,939	27,574	1,071	72,584	102,237	12,704	2,895	117,836
Percent of total assets	61%	38%	1%	100%	87%	11%	2%	100%

Average rent

	Offices		Logistic		Retail	
			As 31 December			
	2020	2019	2020	2019	2020	2019
€/sqm/month	8.7	8.5	5.2	4.7	8.1	8.0
Range €	(5.0-20.0)	(5.0-20.0)	(2.1-13.4)	(2.2-12.8)	(4.2-19.4)	(4.2-19.3)

SUMMIT PROPERTIES LIMITED
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NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions

In December 2019, GxP has signed an agreement to acquire an office building of 4,700 sqm in Hannover for total acquisition cost of ca. €6.5 million. The acquisition was completed during the reporting period and was financed by a new secured debt facility (note 7B) and Group's own resources.

D. Disposals

1. In December 2019, the Company sold a German office building for a consideration of €225 million, 7.9% above its €208.6 million valuation as at 31 December 2018. The property's annual rental income as of 31 December 2018 totaled €4.62 million p.a., reflecting a rental yield of 2.1%.
2. In the 2nd quarter of 2020, the company signed a binding agreement for the disposal of building for a consideration of €980 thousand. 22.5% above its €800 thousand valuation as at 31 December 2019. The sale was completed during July 2020.
3. In the 2nd quarter of 2020, the company signed a binding agreement for the disposal of building for a consideration of €513 thousand. 31.5% above its €390 thousand valuation as at 31 December 2019. The sale was completed during July 2020.

E. Classification from investment properties to property held for sale

During 2020, the Company signed binding agreements for the disposal of three properties for a consideration of €20.8 million (Hanau – €9mio., FFM Genfer – 8.65mio. and Giessen – 3.1mio.). These properties were classified as held for sale as of 2020 year-end. The sales were completed During Q1 2021.

NOTE 6: OTHER LONG-TERM ASSETS AND LIABILITIES

	31 December	
	2020	2019
	Euro in thousands	
<u>Other long-term financial assets:</u>		
Financial assets measured at fair value through OCI (1)	4,817	4,518
Long-term loans receivable measured at amortised costs (2)	6,310	8,081
Financial assets measured at fair value through profit and loss (3)	10,140	8,640
Other financial assets	1,648	591
Total long term financial assets	<u>22,915</u>	<u>21,830</u>
<u>Other long-term non-financial assets (4)</u>	<u>2,557</u>	<u>662</u>
<u>Other long-term financial liabilities:</u>		
Other financial liabilities (4)	<u>3,166</u>	<u>1,642</u>

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

(1) Financial assets – through OCI:

This represents investments in ordinary shares of several real estate 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 respective companies' investments in real estate.

(2) Long-term loans receivable including loans to third parties.

(3) The Group is engaged in agreements to provide financing to several residential construction projects in Berlin. The projects are for construction of residential units and are at different stages of planning and construction. The loans are secured by liens and guarantees of the construction companies and their shareholders, and will be payable from the projects' proceeds. As of the end of the reporting period, the fair value of the loans is €11.6 million (including an amount of €1.5 million, which is presented in short term assets, in the prepaid expenses and other current assets line item).

(4) As of 31 December 2020, the balance is mainly due to the impact of adopting IFRS 16 starting from 1 January 2019, whereby a right of use assets has been recognized for the Group's leased office premises.

NOTE 7: INTEREST - BEARING LOANS AND BORROWING

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

			31 December	
	Effective interest rate	Maturity	2020	2019
	%		Euro in thousands	
Current:				
Current maturities of long term loans	1.1-2.7	2021	67,916	10,269
Non-current:				
Long term loans and borrowings	1.1-2.7	2022-2038	525,937	585,077

A. In March 2019, the Company refinanced approximately €27 million of short-term debt facilities, which were at an interest rate of 2.1% and secured by three properties. A new loan of approximately €29m was provided by a German lender for a 20-year term at a fixed interest rate of 2.7% p.a. and annual amortisation rate of 3.0%. The loan is secured by the same Company's properties and bears no covenants.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

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

- B.** In the 2nd quarter of 2020, the company financed €4.8 million debt to facility finance property acquisition (note 5C). The loan is provided for a 10-year term at 1.1% fix interest rate p.a and annual amortization of 3%.
- C.** In October 2020, a new €3.4 million secured debt facility obtained to refinance a property in Hannover. Loan is provided for a 10-year term at 1.3% fixed interest rate p.a. and annual amortization of 3.00%.
- D.** The outstanding costs of raising loans as of 31 December, 2020 are €3.9 million (2019: €5.05 million). These are presented net of interest-bearing loans and borrowings and amortised over the period of the loans.
- E.** On 2019, the Company and the lender of a loan agreed to accept a back to back guarantee by the company in amount of 2.5m` regarding a loan in a subsidiary after releasing the guaranty of the former owners.
- F.** €5.0 million secured debt facility post Reporting Period to refinance existing financing of a property in Hannover; 10-year term at 1.3% fixed interest rate p.a. and 3.00% amortisation p.a.
- G.** After the end of the reporting period, the company reached an agreement with an existing lender that enables the company to release certain pledged assets for a release price, in consideration of increase of SPL guarantee to the bank.
- H.** According to several financing agreements, the borrowing entities must comply with several covenants as follow:
1. Loan To Value ratio (LTV):
For a loan in amount of €28 million as at 31 December 2020 the borrowing entity must comply with a ratio up to 65%.
 2. Debt Service Cover Ratio (DSCR):
The borrowing entities must comply with ratio ranging from 125% to 225% as determined in the relevant financing agreement.
 3. Weighted Average Lease Term (WAULT):
The borrowing entities must comply with WAULT of above two or three years as determined in the relevant financing agreement.
- As at December 31, 2020 the borrowing entities comply with all the covenants set in their financing agreements.

NOTE 8: TRADE RECEIVABLES

	31 December	
	2020	2019
	Euro in thousands	
Trade receivables	3,983	2,383
Trade receivables from sale of apartments	178	68
Provision for doubtful debts	(994)	(578)
	<u>3,167</u>	<u>1,873</u>

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

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8: TRADE RECEIVABLES (Cont.)

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

	<u>Total</u>	<u>< 30 days</u>	<u>30 - 60 days</u>	<u>60 - 90 day</u>	<u>90 - 120 day</u>	<u>>120 days</u>
	<u>Euro in thousands</u>					
2020	3,167	1,210	897	35	23	1,002
2019	1,873	539	159	193	28	954

Movements in the provision for doubtful debts:

	<u>Euro in thousands</u>
At 1 January 2019	495
Released	251
Utilised	(168)
At 31 December 2019	578
Released	590
Utilised	(174)
At 31 December 2020	994

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	<u>31 December</u>	
	<u>2020</u>	<u>2019</u>
	<u>Euro in thousands</u>	
Prepaid expenses and other	3,200	12,113
Designated cash (*)	7,714	5,421
	<u>10,914</u>	<u>17,534</u>

(*) Including €3.1 million designated for debt service of a company's credit facility scheduled to January 2021.

NOTE 10: CASH AND CASH EQUIVALENTS

	<u>31 December</u>	
	<u>2020</u>	<u>2019</u>
	<u>Euro in thousands</u>	
Cash at banks	<u>109,785</u>	<u>262,086</u>

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 2019	457,280,204
Change in the period (note 11F)	(12,045,000)
At 31 December 2019	445,235,204
Change in the period (note 11F)	(123,512,832)
At 31 December 2020	321,722,372

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, the balance of which as of 31 December 2020 is €151.2 million (as of 31 December 2019 – €331.1 million). This balance is included in other reserves. The change during the year derived from a share buy-back (as detailed in F 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. Distribution of dividends:

In September 2019, the Company announced a dividend of €2.29 million, reflecting 0.50 cents per share, the dividend was paid on October 31, 2019.

D. NAV and EPRA NAV:

	As of 31 December 2020		As of 31 December 2019	
	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	813,426	2.53	894,500	2.00
Financial derivatives	2,190		2,052	
Deferred Tax, net	128,236		111,048	
EPRA NAV (**)	943,852	2.93	1,007,600	2.26

(*) Net Asset Value

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

- E.** In February 2019 the Company obtained Ba1 issuer rating by Moody's.

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11: SHARE CAPITAL (Cont.)

F. Share buy-back:

In October 2019, the Company has repurchased and cancelled 12,045,000 ordinary shares of no-par value in the capital of the Company at average purchase price of €1.28 per share, returning €15.5 million to shareholders. Following the buy-back, the Company has 445,235,204 ordinary shares in issue and admitted to trading on AIM with no ordinary shares in treasury.

On 17 February 2020, The Company announced a proposed tender offer and cancellation of the admission of its Ordinary Shares to trading on AIM, subject to approval by Shareholders. The Tender Offer provides Shareholders with an opportunity to partially realise their investment in the Company by accepting the Tender Offer pursuant to which the Company will, conditionally, offer to purchase, on a pro rata basis, up to 148,275,862 Ordinary Shares (representing 33.3% of the Company's issued share capital) at the Tender Offer Price of €1.45 per Ordinary Share. As of 5 March 2020 following the Tender Offer and the cancellation of the repurchased shares, the Company's share capital in issue is reduced from 445,235,204 Ordinary Shares to 321,722,372 Ordinary Shares (the "Reduced ISC") and the Company does not hold any Ordinary Shares in treasury.

On 17 March 2020 the trading in the Company's ordinary shares on AIM was cancelled.

G. Transaction with non-controlling interests:

During the period, several group entities (which do not hold real estate assets) were deconsolidated. The transaction did not have a significant effect on the Company's net assets.

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	
	2020	2019
	Euro in thousands	
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	90,408	126,721
	Year ended 31 December	
	2020	2019
	In thousands	
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	342,308	455,273

SUMMIT PROPERTIES LIMITED
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NOTE 12: EARNINGS PER-SHARE (Cont.)

Earnings Per Share:	Year ended 31 December	
	2020	2019
Basic (Euro per share)	0.26	0.28
Diluted (Euro per share)	0.26	0.28

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	
	2020	2019	2020	2019
	Euro in thousands		Euro in thousands	
Related parties	73	220	4,665	3,617
	73	220	4,665	3,617

As of December 31, 2020, Summit Real Estate Holdings Ltd ("**SHL**") holds approximately 98.23% of the Ordinary shares of Summit Properties limited. SHL is under the control of Mr. Zohar Levy. Summit Management CO S.A. ("**SMC**"), a company controlled by Zohar Levy, was appointed as an Asset Manager on 19 May 2006.

The balance owed to related parties includes a provision for management fees to SMC (including a provision for a performance-based compensation) of €4,491 thousand including Special Bonus provision as detailed below (2019: €3,346 thousand).

A. Compensation of key management personnel:

	2020	2019
	Euro in thousands	
Directors' fees	264	378
Management fees	1,500	1,500
Special Bonus (note 13B)	3,564	3,185
Total compensation paid to key management personnel	5,328	5,063

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

B. Terms and conditions of the management agreement

According to 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 board of directors of the company and is calculated based on 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%.

The annual performance-based bonus entitlement of SMC is capped at a maximum of €750,000 per annum.

As at 31 December 2020 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 board of directors of the Company.

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.

In the first half of 2019, the threshold triggering a special bonus was met. Therefore, during the first half of 2019, the Company recorded a provision for the Special Bonus in the amount of €6.4 million (the expense was recorded in the other expenses line item in profit and loss).

By the end of 2019, it was decided to extend the management agreement with SMC until 31 December 2022. As part of the amendment to the management agreement, it was clarified that the right of the management company to the Special Bonus will remain in effect, provided that the profit from the a qualifying sale or series of sales of any properties that will occur during the extension period will be calculated in relation to the value of the company's properties as of 30 June 2019. It was further clarified that the Special Bonus would also apply in relation to a partial sale of properties that would meet the profitability conditions described above.

In addition, by the end of 2019, it was agreed that half of the Special Bonus that accrued until the end of 2019 (including the performance-based bonus) will be paid in 2021, subject to a pre-tax profit of the Group for 2020 not to be less than €70 million. This amount (€3.5 million) was credited directly to the Company's Equity under Other Reserve balance, as a transaction with the Company's controlling shareholder.

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

B. Terms and conditions of the management agreement (cont.):

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.

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 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. Where such fees arise, they are charged to the consolidated statement of comprehensive income. No amounts were ever due in respect of the aforementioned. As of 31 December 2020, the Shortfall is approximately €99.3 million. Therefore, the likelihood that SMC would be entitled to receive any carried interest is 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	
	2020	2019
	Euro in thousands	
Accrued expenses	7,593	8,968
Accrued interest	2,799	2,769
Service charge prepayments	540	532
VAT	479	675
Provisions	8,040	7,470
Trade accounts payable	3,296	4,269
Other	483	2,234
	23,230	26,917

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2020	2019
	Euro in thousands	
Management and directors' fees (a)	1,777	2,771
Professional fees (b)	2,222	2,192
Salaries	4,057	4,420
Administration fees	151	190
Office expenses	471	475
Other expenses	1,473	1,327
	<u>10,151</u>	<u>11,375</u>

(a) See note 13 for details of the management agreement.

(b) Professional fees include audit fees in the amount of €224 thousand (2019: €308 thousand).

NOTE 16: FINANCIAL EXPENSES (INCOME)

	Year ended 31 December	
	2020	2019
	Euro in thousands	
Financial expenses:		
Interest on borrowings	13,345	13,841
Amortisation of cost of raising loans	1,266	1,140
Other	712	915
Total financial expenses	<u>15,323</u>	<u>15,896</u>
Financial income:		
Total financial income	<u>1,679</u>	<u>1,723</u>

NOTE 17: TAXATION

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

	Year ended 31 December	
	2020	2019
	Euro in thousands	
<u>Current income tax:</u>		
Current income tax charge	1,319	1,039
<u>Deferred income tax (See C):</u>		
Relating to origination and reversal of temporary differences	<u>17,210</u>	<u>27,960</u>
Income tax expense reported in the statement of comprehensive income	<u>18,529</u>	<u>28,999</u>

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17: TAXATION (Cont.)

- B)** The Company is subject to taxation under the laws of Guernsey. 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 2020 is 15.825% (31 December 2019: 15.825%). The majority of the Group's 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	
	2020	2019
	Euro in thousands	
Profit before taxes on income	116,351	166,479
Tax at the statutory tax rate in Germany (15.825%)	18,412	26,345
Increase (decrease) in respect of:		
Losses for which deferred taxes were not recorded	(2,312)	(1,628)
Effect of different tax rate	(1,297)	(2,076)
Non-deductible expenses, net	1,207	2,457
Difference between tax and reporting GAAP	3,088	2,716
Other	(569)	1,184
Income tax expense	18,529	28,999

C) Deferred income tax:

	Consolidated statement of financial position	
	2020	2019
	Euro in thousands	
<u>Deferred tax asset (liability)</u>		
Revaluations of investment properties to fair value	(148,203)	(132,194)
Losses carried forward	20,654	19,757
Revaluations of financial instruments	194	172
Provisions	457	457
Other	(1,338)	760
Deferred tax liabilities, net	(128,236)	(111,048)

SUMMIT PROPERTIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17: TAXATION (Cont.)

C) Deferred income tax (Cont.):

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	
	2020	2019
	Euro in thousands	
Deferred tax asset	-	121
Deferred tax liability	(128,236)	(111,169)

	Consolidated statement of comprehensive loss (income)	
	2020	2019
	Euro in thousands	
<u>Deferred tax expense (income)</u>		
Revaluations of investment properties to fair value	16,009	25,829
Losses carried forward	(897)	1,105
Provisions	-	931
Other	2,098	95
Increase in deferred tax	17,210	27,960

	Other comprehensive income	
	2020	2019
	Euro in thousands	
<u>Deferred tax income</u>		
Revaluations of financial instruments	(22)	(24)
Increase in deferred tax	(22)	(24)

- D)** Group's carried forward tax losses in Germany for which deferred taxes were not recognised are approximately €43 million (2019: €38 million). Deferred tax assets on loss carry forward are recognised 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.

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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, loans to third parties and cash and cash equivalents.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk as summarised 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 2020 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.

- **Price risk:**

The Group's financial instruments measured at FVTOCI 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.

As of 31 December 2020, the Group does not hold any marketable securities and does not hold significant financial instruments measured at FVTOCI (see note 6).

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NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

- **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.

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. As such, the group does not have significant credit risk exposure.

Liquidity risk:

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

	As at 31 December 2020					Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	
	Euro in thousands					
Interest bearing loans and borrowings	81,012	56,011	18,920	49,206	447,111	652,260
Trade and other payables	15,191					15,191
Other liabilities	681	253	186	191	4,045	5,356
Payables to related parties and shareholders	4,665	-	-	-	-	4,665
	<u>101,549</u>	<u>56,264</u>	<u>19,106</u>	<u>49,397</u>	<u>451,156</u>	<u>677,472</u>

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NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Liquidity risk: (Cont.)

	As at 31 December 2019					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	23,520	80,512	55,585	18,552	488,572	666,741
Trade and other payables	19,447	-	-	-	-	19,447
Other liabilities	304	841	44	46	2,459	3,694
Payables to related parties and shareholders	3,617	-	-	-	-	3,617
	46,888	81,353	55,629	18,598	491,031	693,499

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 adjusts 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 2020, 31 December 2019.

The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
	Euro in thousands	
Non-current interest-bearing loans and borrowings	528,127	587,129
Current loans and borrowings	67,916	10,269
Less cash and cash equivalents	<u>(109,785)</u>	<u>(262,086)</u>
Net debt	<u>486,258</u>	<u>335,312</u>
Equity	<u>880,594</u>	<u>964,434</u>
Total capital	<u>1,366,852</u>	<u>1,299,746</u>
Gearing ratio	<u>36%</u>	<u>26%</u>

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NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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.

The fair value as at 31 December 2020 of the fixed rate interest-bearing loans and borrowings is ca. €510 million comparing to ca. €486 million carrying amounts value.

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 (see note 2 for definitions applicable to each level).

	31 December 2020			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (note 5)	-	20,750	1,457,729	1,478,479
Financial assets				
Financial assets measured at fair value through profit and loss (a)	-	-	11,640	11,640
Financial assets at FVTOCI	-	-	4,817	4,817
Total	-	20,750	1,474,186	1,494,936
Financial liabilities				
Derivative instruments – swaps (b)	-	(2,190)	-	(2,190)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (note 5)	-	-	1,393,889	1,393,889
Financial assets				
Financial assets measured at fair value through profit and loss (a)	-	-	16,440	16,440
Financial assets at FVTOCI	-	-	4,518	4,518
Total	-	-	1,414,847	1,414,847
Financial liabilities				
Derivative instruments – swaps (b)	-	(2,052)	-	(2,052)

- (a) See note 6(3). Following the adoption of IFRS9 at the beginning of 2018, the Company measures loans given to finance certain residential construction projects in Berlin at fair value through profit and loss.

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NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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

(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.

NOTE 19: CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	<u>1 January 2020</u>	<u>Financing cash flows</u>	<u>Acquisition of subsidiary</u>	<u>Fair value adjustments</u>	<u>Other changes</u>	<u>31 December 2020</u>
Interest-bearing loans and borrowings	595,346	(2,801)	-	-	1,308	593,853
Derivative financial liabilities	2,052	-	-	138	-	2,190

	<u>1 January 2019</u>	<u>Financing cash flows</u>	<u>Acquisition of subsidiary</u>	<u>Fair value adjustments</u>	<u>Other changes</u>	<u>31 December 2019</u>
Interest-bearing loans and borrowings	603,088	(9,763)	-	-	2,021	595,346
Derivative financial liabilities	965	-	-	1,087	-	2,052

NOTE 20: 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 3.4 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.

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NOTE 20: OPERATING LEASE (Cont.)

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

	For the year ended 31 December	
	2020	2019
	Euro in thousands	
Within one year	69,623	74,593
After one year but not more than five years	168,394	175,489
More than five years but not more than ten years	62,825	57,348
More than ten years but not more than fifteen years	10,535	10,056
More than fifteen years	1,415	2,362
	<u>312,798</u>	<u>319,847</u>

NOTE 21: INVENTORY OF BUILDING UNDER CONSTRUCTION AND CONTRACT ASSETS

General information

During 2018 the Group entered into a Development project for new residential units over a parking lot. The project includes 62 residential units with a total area of 6,250 sqm and 193 parking spaces, of which 123 are underground parking. No impact is expected on the existing office building and tenancy following the said development. Revenue from the construction project is recognised over time, based on progress of completion of the project. As at 31 December 2020, the project was completed and all units were sold.

A. Composition of inventory of buildings under construction

	31 December	
	2020	2019
	Euro in thousands	
Cost of the land	-	427
Cost of construction	-	-
	<u>-</u>	<u>427</u>

B. Contract assets

	31 December	
	2020	2019
	Euro in thousands	
Construction contracts	<u>-</u>	<u>1,273</u>

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

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NOTE 22: PROPERTIES FOR DEVELOPMENT

The Group is developing 70 residential units on an existing parking lot with 114 parking spaces, of which 96 are underground in its property located in Frankfurt. Most of the units are part of a new building while the remaining units will result from the conversion of currently vacant office space, no effect on the current rent expected from the construction process. As at 31 December 2020, the total of the investments is €9.2 million (€6.1 million as at 31 December 2019).

NOTE 23: OPERATING SEGMENTS:

A. General

Information reported to management for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. The Group's reportable segments under IFRS 8 are therefore as follows:

Segment A - investment properties - Leasing property for rental income.

Segment B - residential development - income and inventory of apartments under construction.

The segment's assets include all of the operating assets used by the segment.

The segment's assets and liabilities do not include deferred taxes.

B. Analysis of income and results by operating segments:

Segment income and expenses include income and expenses arising from the operating activities of the segments that are directly attributable to business segments.

Year ended December 31, 2020:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Income	76,376	4,473	80,849
Segment profit (*)	129,515	480	129,995
Expenses not allocated to the segment			-
Operating profit			129,995
Finance expenses, net			(13,644)
Tax expenses			(18,529)
Net income			97,822
(*) Includes revaluation gain of investment properties	72,584	-	72,584

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NOTE 23: OPERATING SEGMENTS (Cont.):

B. Analysis of income and results by operating segments (cont.):

Year ended December 31, 2020:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Segment assets	1,627,712	9,366	1,637,078
Assets not allocated to the segment			-
Total assets			<u>1,637,078</u>
Segment liabilities	628,248	-	628,248
Liabilities not allocated to the segment			128,236
Total Liabilities			<u>756,484</u>

Year ended December 31, 2019:

	Investment Properties	Residential Development	Total
	Euro in thousands		
Income	82,052	13,999	96,051
Segment profit(*)	177,756	2,896	180,652
Expenses not allocated to the segment			-
Operating profit			180,652
Finance expenses, net			(14,173)
Tax expenses			(28,999)
Net income			<u>137,480</u>
(*) Includes revaluation gain of investment properties	117,836	-	117,836
	Investment Properties	Residential Development	Total
	Euro in thousands		
Segment assets	1,697,871	7,996	1,705,867
Assets not allocated to the segment			121
Total assets			<u>1,705,988</u>
Segment liabilities	630,385		630,385
Liabilities not allocated to the segment			111,169
Total Liabilities			<u>741,554</u>

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NOTE 24: SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Implications of the spread of the Corona virus:

Germany and the world are facing an event with macro-economic implications as a result of the COVID-19 spreading in many countries around the world. This virus was announced as a global pandemic by the world health organization. As a result, many countries including Germany were and still are taking significant measures trying to prevent the spread of the virus, such as the ministry of health's instructions, issued from time to time during the year, to prohibit the entrance of foreigners to Germany, limitations on the transport of passengers and goods, closing the borders between countries, mandatory isolation for the country's residents, limitations on gatherings in a way that materially adversely affects the economic activity in Germany and more. By the end of 2020 and after the end of the reporting period, vaccinations of general population began. Studies suggest that vaccinations are highly effective. As at this date, Germany continues to experience outbreaks at different locations of the country, however, currently there are no major limitation on movement of residents within the country and on arrival to workplaces. Businesses are open, subject to compliance with the relevant caution measures published by authorities.

The outbreak of the COVID-19 pandemic and the uncertainty as to the spread rate and the different instructions in different countries in handling the virus, have resulted in an economic slowdown. Continued outbreak of the epidemic and the steps taken to stop it could have a negative impact on the real estate industry and the operations of the Company and its subsidiaries due to a possible decrease in future demand for spaces. This could also lead to an impairment of the economic strength and cash flow of the tenants, and their ability to meet their lease obligations.

It should be emphasised that as at the date of approval of these financial statements, it is not possible to assess the extent of the crisis and its impact on the business environment in which the Company operates in a reliable manner.

Given the uncertainties, the Company monitors the collection of rent from its tenants and as at the date of approval of these financial statements, has not observed significant collection loss. The Company also considers whether to provide rent concessions, or to make certain deferrals of rent to certain tenants whose businesses were shut down at the peak of the pandemic. As a result, the revenues in the period decreased by approximately €1 million.

In addition, during the period the Company executed cost savings plans and as a result was able to partially offset the decrease in revenues detailed above.

The Company believes that given the nature of its properties and their geographical spread, the stable cash flow that the properties generate from a diverse mix of tenants, including commercial companies that provide essential services to the wide population even in times of crisis, as well as tenants with an international investment rating, all together with the Company's high level of liquidity, long-term unsecured financial liabilities and available sources of funding during this time, the Company has adequate financial strength to enable it to deal with the crisis both the short and medium term, where the threat of the economic slowdown is expected.

It is noted that as Covid-19 pandemic continues, it could adversely affect the economy, including potential recession. This could lead to a decrease in demand for real estate and effect the tenants, which could lead to a decrease in the Company's revenues, a decrease in current cash flow and a decrease in the fair value of the properties. The Company is monitoring developments closely.

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NOTE 25: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- A.** In February 2021, the Company announced that it is in the process of discussing strategic option in relation to its holding in German Subsidiaries, which may result in the sale of certain subsidiaries to an international investor.

B. Acquisitions in the US:

After the end of the reporting period, the company has engaged in several agreements with partners in the US for acquisition of investment properties as follows:

1) Residential properties in New York:

Subsidiaries of the Company has reached agreements with a partner in the US specializing in the acquisition, management and maintenance of residential buildings in New York City (the “Local Partner”) for acquisition of residential properties for rent in New York City.

The properties acquisitions are carried out through special purpose companies, which are controlled by the Company, while the Local Partner is responsible for the ongoing operation of the properties and the special purpose companies. To date contract with respect of ca. 600 units were signed for ca. \$115 million. It is the Company’s intent to fund the above transactions from its own resources and a bank loans.

The acquisitions are carried out through special purpose companies, which are controlled by the Company, while the Local Partner is responsible for the ongoing operation of the properties and the special purpose companies. The Company will fund 85% of the capital required for each transaction and the Local Partner will fund the remaining 15% of required capital. The available cash flow of the asset companies will be distributed between the parties in proportion to their capital investment until returns of each partner’s capital investment plus minimal agreed IRR, beyond which the Local Partner shall be entitled to success fees as customary in similar transactions. In addition, the Local Partner, or its affiliates, are entitled to management fees and commissions at normal local rates.

The company is analysing the accounting effects of the transaction on its financial statements for future periods.

2) Other assets in the US:

Three shopping malls located in the State of Michigan, USA, acquired for a total consideration of approximately USD 17.5 million. The shopping malls consist of approximately 128,000 square meters of lettable space with annual income, net of operating costs, is USD 4 – 5 million.

48% of the acquisition was funded from the subsidiary’s own resources (USD 8.5 million) and 52% was funded by external debt (USD 9 million).

The shopping malls are acquired by a company controlled by the Company’s subsidiary (the “Shopping Malls Entity”), which is held together with a local partner, unrelated to the Company or its controlling shareholders (the “Local Partner”). Pursuant to the agreement with the Local Partner, the Company controls the Shopping Malls Entity and the asset

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NOTE 25: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD (CONT)

B. Acquisitions in the US (CONT):

companies owned by it, while the Local Partner is responsible for the ongoing operations of the properties. The Company has funded 90% of the capital required for the transaction and the Local Partner - 10% of the required capital. The agreement with the Local Partner includes provisions related to distributions and promote mechanism according to which first distributions are made as per the parties in proportion to their capital investments, until the return of their investment plus preferred interest. Once the entire investment and the preferred interest is returned, the Local Partner will be entitled to 50% of the cash flows as a promotion fee.

Furthermore, the Company entered into a non-binding arrangement with the Local Partner for the examination of additional joint investment opportunities in similar assets in the US.

In addition, foreign subsidiaries (at 52% ownership) and a Local Partner (at 48% ownership) acquired the lease rights to two hotels with 514 rooms in attractive locations in Manhattan. The Company is examining the several alternatives for the optimal use of the hotels, including hotel activities or renting it for other uses.

The company is analysing the accounting effects of the transaction on its financial statements for future periods.

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NOTE 26: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2020

	Principal activity	Country of incorporation	Direct and indirect holdings %
Summit Finance Limited	Intermediate holding company	Guernsey	100.00%
Neston S.à r.l.	Intermediate holding company	Luxemburg	100.00%
Summit Real Estate Hirundo GmbH	Real Estate company	Germany	94.80%
Summit US Holdings GmbH	Intermediate holding company	Germany	100.00%
Summit Luxco s.a.r.l	Intermediate holding company	Luxemburg	100.00%
Summit RE one GmbH	Intermediate holding company	Germany	100.00%
Summit RE two GmbH	Intermediate holding company	Germany	100.00%
Summit RE three GmbH	Intermediate holding company	Germany	100.00%
Summit RE four GmbH	Intermediate holding company	Germany	100.00%
Summit RE five GmbH	Intermediate holding company	Germany	100.00%
Summit RE six GmbH	Intermediate holding company	Germany	100.00%
Summit RE seven GmbH	Intermediate holding company	Germany	100.00%
Summit RE eight GmbH	Intermediate holding company	Germany	100.00%
Summit RE nine GmbH	Intermediate holding company	Germany	100.00%
Summit Real-Estate Platinum GmbH	Intermediate holding company	Germany	94.80%
Summit Real-Estate Titanium GmbH	Intermediate holding company	Germany	94.80%
Summit RE Magdeburg GmbH	Intermediate holding company	Germany	100.00%
Summit RE Hanau GmbH	Intermediate holding company	Germany	100.00%
M.S.C Objekt Magdeburg GmbH & Co. KG	Real Estate company	Germany	94.80%
M.S.C Objekt Hanau GmbH & Co. KG	Real Estate company	Germany	94.80%
Summit Real Estate Blue GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Orange GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Yellow GmbH	Real Estate company	Germany	94.80%
Summit Real Estate White GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Red GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Purple GmbH	Real Estate company	Germany	94.80%
BDPE S.a.r.l	Real Estate company	Luxemburg	94.80%
Summit Real Estate Cammarus GmbH	Intermediate holding company	Germany	94.80%
Summit Real Estate Black GmbH	Intermediate holding company	Germany	94.80%
Summit RE GmbH & Co. Black 1 KG	Real Estate company	Germany	94.80%
Summit RE GmbH & Co. Black 2 KG	Real Estate company	Germany	94.80%
Summit RE GmbH & Co. Black 3 KG	Real Estate company	Germany	94.80%
Summit RE Ismaning GmbH	Real Estate company	Germany	94.67%
Summit RE Duisburg GmbH	Real Estate company	Germany	94.67%
Summit Real Estate Brown GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Indigo GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Maroon GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Azure GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Alpha GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Delta GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Gamma GmbH	Real Estate company	Germany	94.80%

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NOTE 26: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2020 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
Lommy GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Amber GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Lavender GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Ruby GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Epsilon GmbH	Real Estate company	Germany	94.80%
RE one finance GmbH	Inter group financing company	Germany	100.00%
Summit Real Estate Bos GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Delphinus GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Formica GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Grey GmbH	Real Estate company	Germany	94.80%
Grundstuecksgesellschaft Gewerbepark Hansalinie mbH	Real Estate company	Germany	94.80%
Summit Real Estate Kappa GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Papilio GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Ursus GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Zeta GmbH	Real Estate company	Germany	94.80%
Summit Living Oberursel GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Camelus GmbH	Real Estate company	Germany	94.80%
Gadelander Str. 77 Projekt GmbH	Real Estate company	Germany	94.80%
Summit Real Estate Corvus GmbH	Shelf company	Germany	94.80%
Summit RE Wolfsburg 1 GmbH	Real Estate company	Germany	94.80%
Summit RE Wolfsburg 2 GmbH	Real Estate company	Germany	94.80%
Summit RE Oberusel B.V.	Real Estate company	Netherlands	94.89%
H130 Böblingen GmbH	Real Estate company	Germany	94.60%
Summit Sindelfingen GmbH	Real Estate company	Germany	94.60%
Summit Real Estate Beta GmbH	Real Estate company (only operating facilities)	Germany	94.80%
GXP German Properties AG	Intermediate holding company	Germany	77.43%
Frankfurt a. M. Merton Passagen Objekt GmbH	Real Estate company	Germany	72.78%
German Investment Management Holding GmbH	Intermediate holding company	Germany	77.43%
Hamm Unionstraße Objekt GmbH	Real Estate company	Germany	72.78%
Teltow Towers Rheinstraße 15 GmbH	Real Estate company	Germany	73.48%
Teltow Towers II UG (Limited liability)	Real Estate company (only operating facilities)	Germany	73.48%
GxP Asset Management GmbH	Intermediate holding company	Germany	77.43%
German Asset Management I. Beteiligungsgesellschaft mbH	Intermediate holding company	Germany	77.43%
German Asset Management II. Beteiligungsgesellschaft mbH	Intermediate holding company	Germany	77.43%
GxP Hannover II GmbH	Real Estate company	Germany	69.61%
German Asset Management IV. Beteiligungsgesellschaft mbH	Shelf company	Germany	77.43%
German Asset Management II. GmbH	Intermediate holding company	Germany	77.43%
German Asset Management V. Beteiligung UG (Limited liability)	Shelf company	Germany	77.43%
German Asset Management VI. Beteiligung UG (Limited liability)	Intermediate holding company	Germany	77.43%
German Asset Management VII. Beteiligung UG (Limited liability)	Shelf company	Germany	77.43%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

NOTE 26: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2020 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
THOR- Portfolio Beteiligungs GmbH	Intermediate holding company	Germany	77.43%
Thor Object I S.à.r.l	Real Estate company	Luxemburg	73.48%
Thor Object II S.à.r.l	Real Estate company	Luxemburg	73.48%
Thor Object III S.à.r.l	Real Estate company	Luxemburg	73.48%
II. GAM Vorratsgesellschaft UG (Limited liability)	Shelf company	Germany	77.43%
GIMH Komplementär UG (Limited liability)	Shelf company	Germany	77.43%
Retail Portfolio Teilestraße Objekt UG (Limited liability)	Shelf company	Germany	46.46%
Retail Portfolio Wittenauer Straße Objekt UG (Limited liability)	Shelf company	Germany	46.46%
Retail Portfolio Bremerhaven Objekt UG (Limited liability)	Shelf company	Germany	46.46%
GIMH- Capital GmbH	Intermediate holding company	Germany	73.48%
GAM- Capital GmbH	Intermediate holding company	Germany	73.48%
1. GAM Beteiligungs UG (Limited liability)	Intermediate holding company	Germany	73.48%
GxP 2. Vorratsgesellschaft UG (Limited liability)	Real Estate company	Germany	73.48%
GxP 3. Vorratsgesellschaft UG (Limited liability)	Shelf company	Germany	73.48%
GxP 4. Vorratsgesellschaft UG (Limited liability)	Real Estate company (only operating facilities)	Germany	73.48%
GxP 5. Vorratsgesellschaft UG (Limited liability)	Shelf company	Germany	73.48%
GxP 6. Vorratsgesellschaft UG (Limited liability)	Shelf company	Germany	73.48%
Summit MSC GmbH	Real Estate company	Germany	94.90%
Summit MSC two GmbH	Real Estate company	Germany	94.90%
Summit MSC five GmbH	Real Estate company	Germany	94.90%
Summit MSC seven GmbH	Real Estate company	Germany	94.90%
Summit MSC Beta GmbH	Real Estate company (only operating facilities)	Germany	100.00%
Summit MSC three GmbH	Real Estate company	Germany	94.80%
Deutsche Real Estate AG	Intermediate holding company	Germany	89.82%
Summit Real Estate Lambda GmbH	Intermediate holding company	Germany	100.00%
W2005 Pauli 1 BV	Intermediate holding company	Netherlands	94.90%
W2005 Projectpauli GmbH	Intermediate holding company	Germany	99.33%
DRESTATE Objekt Berlin, Friedrichstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Hamburg, Osterfeldstraße GmbH & Co. KG	Real Estate company	Germany	85.26%
GET Grundstücksgesellschaft mbH	Intermediate holding company	Germany	84.97%
DRESTATE Objekt Hamburg, Mendelssohnstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Stuttgart, Rosensteinstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Berlin, Hauptstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Ludwigshafen, Carl-Bosch-Straße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Böblingen, Otto-Lilienthal-Straße GmbH & Co. KG	Real Estate company	Germany	89.82%

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NOTE 26: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2020 (Cont.)

	Principal activity	Country of incorporation	Direct and indirect holdings %
GbR Heidelberg, Mannheimer Straße	Real Estate company	Germany	78.59%
DRESTATE Objekte Erste GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Saarbrücken, Kaiserstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Saarbrücken, Hafenstraße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Berlin-Teltow, Potsdamer Straße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Norderstedt, Kohfurth GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekte Hamburg Vierundzwanzigste GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekte Zweite GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt München, Maria-Probst-Straße GmbH & Co. KG	Real Estate company	Germany	89.82%
Achte TAXXUS Real Estate GmbH	Intermediate holding company	Germany	89.82%
DRESTATE Objekt Seesen, Rudolf-Diesel-Straße GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Carrée Seestraße GmbH & Co. KG	Real Estate company	Germany	89.82%
K-Witt Kaufzentrum Wittenau GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Project Development GmbH	shelf company	Germany	89.82%
DRESTATE Services GmbH	service company	Germany	89.82%
Objekt Verwaltungs GmbH Deutsche Real Estate	Intermediate holding company	Germany	44.91%
DRESTATE Objekte Dritte GmbH & Co. KG	Real Estate company	Germany	89.82%
DRESTATE Objekt Hamburg Pinkertweg GmbH	Real Estate company	Germany	89.82%
Beteiligungsgesellschaft Pinkertweg GmbH & Co. KG	Intermediate holding company	Germany	89.82%
Verwaltungsgesellschaft Objekte DRESTATE mbH	Intermediate holding company	Germany	44.91%
Grit 68. Vermögensverwaltungs GmbH & Co. KG	Intermediate holding company	Germany	89.82%
Objekt Verwaltungsgesellschaft 2013 DRESTATE mbH	Intermediate holding company	Germany	44.91%
Objekt Verwaltungsgesellschaft 2015 DRESTATE mbH	Intermediate holding company	Germany	44.91%
Deutsche Shopping GmbH & Co. KG	Intermediate holding company	Germany	89.82%
DRESTATE Gießen-Linden, Robert-Bosch-Straße GmbH & Co. KG	Real Estate company	Germany	89.82%
K-Witt Kaufzentrum Wittenau II GmbH & Co. KG	Real Estate company	Germany	89.82%
Verwaltung K-Witt Kaufzentrum Wittenau II GmbH	Intermediate holding company	Germany	89.82%
BAKOLA Miteigentumsfonds I Objekt Duisburg-Averdunk	financial participation	Germany	62.94%