ANNUAL REPORT AND ACCOUNTS 2022

SUMMIT
Properties Ltd

INDEX

NYC, Manhattan

Management Overview

Summit Properties Limited
2022 Full Year Audited Results

We are pleased to present the audited results for the year ended 31 December 2022 ("the Reporting Period") of the Company and its subsidiaries ("the Group").

The results of the Reporting Period reflect our activity in the US real estate market in 2022 and present the substantial growth of our property portfolio by the way of new acquisitions of US properties.

Financial Review

Profits

- Gross profit of €99.0 million (FY 2021: €61.6 million)
- Revaluation gain of €94.2 million (FY 2021: €109.6 million)
- EBITDA of €172.2 million (FY 2021: €169.6 million)
- Profit Before Tax (PBT) of €154.2 million (FY 2021: €154.9 million)
- Net profit of €125.8 million (FY 2021: €122.9 million)

NAV

- EPRA Net Asset Value (EPRA NAV[1]) of €1.2 billion (FY 2021: €1.0 billion)
- Group's NAV of €1.0 billion (FY 2021: €0.9 billion)
- Total Assets of €2.1 billion (FY 2021 €1.8 billion)
- Shareholders Equity / Total Assets ratio of 47% (FY 2021: 52%)

The increase in EPRA NAV[1] was mainly a result of €94.2 million revaluation uplift and FFO[1] contribution of €67.1 million.

Operational Review

Rent and Operations

- FFO[1] increased to €67.1 million (FY 2021: €36.7 million)
- Rental income increased to €168.6 million (FY 2021: €77.1 million)

Portfolio

- €1.8 billion portfolio as of 31 December 2022 (FY 2021: €1.2 billion) includes:

[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(c) 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.

    - €0.54 billion German properties well located in major cities with a net lettable area of ca. 329,000 sqm and an occupancy rate, excluding properties under development of ca. 89%
    - €1.2 billion US portfolio comprised of 90 residential buildings in NYC with net lettable area of 247,000 sqm and 28 commercial properties across the US with net lettable area of 1.2 million sqm
- €437.5 million of acquisition of US properties during 2022; €123.8 million of NYC residential buildings and €313.7 million of commercial US properties
- Full ownership of two NYC hotels (514 rooms) located near Times Square
- $54 million of US outparcels sales completed. Further $57 million signed to date

Financing

- Group's net LTV of 27% (FY 2021: 15%) with an average interest rate of 4.0% p.a. and average duration of approx. 4 years
- $73.5 million of new secured debt facilities obtained in 2022 on a 10-15-year term to refinance US properties with average fixed interest rate of 5.1%; additional $45.5 million new debt in 2023

Main Risks and Uncertainties

The Group is exposed to risks arising from the sector and economic environment, in which it operates.

<u>Macro-economic risk factors</u>

From the beginning of 2022, there has been a slowdown in the global economy. The war between Russia and Ukraine and the slowdown of economic activity in China led to increases in the prices of goods, energy and maritime transport. These and other factors led to inflationary pressures. The current annual inflation rate in the US and in Germany are about 6% and 7%, respectively. The increase in inflation caused most central banks to increase interest rates (after many years of expansionary fiscal policy). Based on that, the Group has identified the following risk factors:

A. Risks arising from the countries in which the Group operates – inflation pressure in the local economies may lead to further increase in interest rates, which in turn might impact the cost of financing and the value of the Group's properties. However, most of the Company's loans bear a fixed interest rate and therefore are not exposed to changes in the basic interest rate, except when refinancing of loans occurs. In addition, lease agreements with Group's tenants are either linked to price index or include periodic increases in rent and the Group does not have material obligations which are linked to consumer price index. It is noted, that in the longer term, if the trend of increasing inflation together with increasing interest rates continues at its current level, it may adversely affect the tenants or customers and cause a decrease in demand and consequently impact the results of the company's activity and value of its assets.

B. Risks arising from the countries in which the Group operates – recession in and deterioration of global economy and the German or US economy in particular, may cause a decrease in demand for lettable areas, increased vacancies and as such impact the value of the property. However, Group's management believes that given the nature and geographical spread of its properties, as well as the diversity of its tenants, will enable the Group to execute its business strategy in the foreseeable future.

C. Risks relating to changes in foreign exchange rates – the Group operates in Euro in the German market and in US Dollars in the US market. A rise in the US/EUR Dollar exchange rate will increase Company's capital, while a decline will decrease it.

D. The recent decrease in Deutsche Bank share price caused financial news agencies to express concern in respect of Deutsche Bank financial stability; among other things in the light of the collapse of Silicon Valley Bank and Signature Bank in the US and the emergency acquisition of Credit Suisse Bank in Switzerland. The Group does not hold significant cash balances in these banks.

The Group is not able to assess the future effects (if any) of the above macro-economic conditions. However, the Group estimates that its financial strength, together with the balance of cash and cash flows from operating activities will continue to ensure the ongoing business activity of the Group while complying with all its obligations.

Sectorial risk factors

A. Availability and cost of financing in Germany and the US – a decline in availability of financing sources and a rise in financing costs exposes the Group to an increase in finance expenses. The Group strive on an ongoing basis to extend the loans ahead of their maturity and also maintains a variety of financing channels.

B. Financial covenants compliance - banking facilities include various covenant requirements. A failure to meet loan covenants could result in possible default or penalties. The Group regularly monitors compliance with covenants and addresses any issue that may arise.

C. Residential rent control – the Group's US residential properties are subject to regulations, which hold the Group, as property owner, liable to it and include, among other, the control over the level of rent chargeable in the properties. Such regulation exposes the Group to impacts of regulatory changes related to rent control and the liability of the property owner towards its tenants.

D. Leasing to anchor tenants – leasing to anchor tenants strengthens the performance of a commercial property and creates stability of cash flows. However, if several anchor tenants were to vacate the US commercial centres, a negative impact may occur on income and value of such properties. The diversified nature of asset types in the Group's property portfolio, as well as its geographical spread and diversity of tenants, decreases the related impact on the overall Group's results and financial strength.

Berlin, Friedrichstrasse

Financial statements

Deloitte.

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 2022, 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 2022, 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, 19 April, 2023

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SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	Note	2022	2021
		Euro (in thousands)	
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	5	1,759,847	1,236,791
Other long-term assets	6	20,860	43,789
Investment in equity securities		-	775
Properties for development	21	20,701	13,502
Total non-current assets		1,801,408	1,294,857
CURRENT ASSETS:			
Prepaid expenses and other current assets	9	25,552	19,570
Receivables from related parties	13	24,531	38,798
Trade receivables, net	8	4,686	2,008
Cash and cash equivalents	10	278,759	410,186
Total current assets		333,528	470,562
Total assets		2,134,936	1,765,419

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

SUMMIT PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December		**2022**	**2021**
	Note	*Euro (in thousands)*	
EQUITY AND LIABILITIES			
EQUITY:	*11*		
Share capital			
Other reserve		182,885	161,317
Retained earnings		830,061	749,961
Equity attributable to the owners of the Company		1,012,946	911,278
Non-controlling interests		158,751	106,847
Total equity		1,171,697	1,018,125
NON-CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	*7*	752,319	585,035
Other long-term financial liabilities	*6*	9,530	6,243
Deferred tax liability	*17*	141,961	113,565
Total non-current liabilities		903,810	704,843
CURRENT LIABILITIES:			
Interest-bearing loans and borrowings	*7*	8,677	4,534
Payables to related parties	*13*	2,619	1,831
Current tax liabilities		607	2,901
Trade and other payables	*14*	47,526	33,185
Total current liabilities		59,429	42,451
Total liabilities		963,239	747,294
Total equity and liabilities		2,134,936	1,765,419
NAV/Share (cent)	*11*	314.85	283.25
EPRA NAV/Share (cent)	*11*	358.98	318.55

19 April, 2023		
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 PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For The Year ended 31 December	Note	2022	2021
		Euro (in thousands)	
Rental income		168,647	77,143
Revenues from sale of apartments		3,540	-
Operating expenses		(70,275)	(15,547)
Cost of sale of apartments		(2,893)	-
Gross profit		99,019	61,596
General and administrative expenses	15	(8,831)	(11,348)
Fair value adjustments of investment properties	5	94,207	109,594
Other income (expenses)		(12,373)	9,549
Operating profit		172,022	169,391
Financial income	16	11,456	1,214
Financial expenses	16	(29,337)	(15,753)
Total financial expenses		(17,881)	(14,539)
Profit before taxes on income		154,141	154,852
Tax expenses	17	(28,354)	(31,919)
Profit for the year		**125,787**	**122,933**
Other comprehensive income and expenses:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		24,298	5,972
Changes in hedging instruments entered into for cash flow hedges			-
Cumulative gain arising in hedging instruments reclassified to profit or loss		-	432
		24,298	6,404
Items that will not be reclassified subsequently to profit or loss:			
Net gain arising on revaluation of financial assets through Other Comprehensive Income ("OCI")		(119)	30
		24,298	**6,434**
Total comprehensive income for the year		**150,085**	**129,367**
Profit for the year attributable to:			
Owners of the Company		80,100	96,423
Non-controlling interests		45,687	26,510
		125,787	122,933
Total comprehensive income attributable to:			
Owners of the Company		101,668	102,850
Non-controlling interests		48,417	26,517
		150,085	129,367
Earnings Per Share:			
Basic (Euro per share)	12	0.249	0.300
Diluted (Euro per share)		0.249	0.300

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
			Euro (in thousands)			
Balance at 1 January 2021	**(*) -**	**154,890**	**658,551**	**813,441**	**67,153**	**880,594**
Profit for the year	-	-	96,423	96,423	26,510	122,933
Other comprehensive profit for the year, net of income tax	-	6,427	-	6,427	7	6,434
Total comprehensive profit	**(*) -**	6,427	96,423	102,850	26,517	129,367
Transaction with non-controlling interests (note 11E)	-	-	(5,013)	(5,013)	13,177	8,164
Balance at 31 December 2021	**(*) -**	**161,317**	**749,961**	**911,278**	**106,847**	**1,018,125**
Profit for the year	-	-	80,100	80,100	45,687	125,787
Other comprehensive profit for the year, net of income tax	-	21,568		21,568	2,730	24,298
Total comprehensive profit	**(*) -**	21,568	80,100	101,668	48,417	150,085
Transaction with non-controlling interests (note 11E)	-	-	-	-	3,487	3,487
Balance at 31 December 2022	**(*) -**	**182,885**	**830,061**	**1,012,946**	**158,751**	**1,171,697**

(*) 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	2022	2021
	Euro (in thousands)	
Cash flows from operating activities:		
Profit for the year	125,787	122,933
Adjustments for:		
Taxes	27,036	31,615
Financial expenses, net	17,881	14,538
Fair value adjustment of investment properties	(94,207)	(109,594)
Profit from sale of subsidiaries	-	(10,836)
Depreciation of property, plant and equipment	204	242
Amortisation and impairment of intangible assets	-	7
Other long-term Assets	(545)	581
	(49,631)	(73,447)
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	(1,281)	4,773
Increase in trade and other payables	724	1,002
Increase (decrease) in payables to related parties and shareholders	788	(9,960)
Increase in properties for development	(7,198)	(4,314)
Increase (decrease) in prepaid expenses and other current assets	(1,790)	2,272
Increase (decrease) in other non-current liabilities	(296)	130
	(9,053)	(6,099)
Net cash flows from operating activities	67,103	43,389
Cash flows from (used in) investing activities:		
Additions of intangible assets	(318)	-
Short-term loan from (to) related parties	15,000	(35,000)
Payment in respect to acquisition of investment properties and related assets and liabilities	(222,871)	(266,291)
Proceeds on disposal of subsidiaries		571,116
Change in deposits and designated cash	1,824	(4,528)
Change in loans to third party	(1,857)	(401)
Additions to investment properties	(13,621)	(13,274)
Interest income and Proceeds from Financial Participations	4,845	-
Proceeds from sale of investment property	41,465	28,634
Net cash flows from (used in) investing activities	(175,533)	280,256
Cash flows used in financing activities:		
Proceeds from borrowings from banks	72,517	4,925
Repayment of borrowings	(40,344)	(17,255)
Interest paid	(24,146)	(14,079)
Repayment of third parties loans	(197)	-
Buy back of bonds	(35,660)	-
Transaction with non-Controlling interest	(3,848)	3,165
Net cash flows used in financing activities	(31,678)	(23,244)
Effect of change in exchange rates on cash balances hold in foreign currency	8,681	-
(Decrease) increase in cash and cash equivalents	(131,427)	300,401
Cash and cash equivalents at beginning of the year	410,186	109,785
Cash and cash equivalents at end of the year	278,759	410,186

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

NOTE 1: GENERAL

Summit Properties Ltd. (the "Company") and its subsidiaries (together: the "Group") is a property specialist company. The Company was incorporated and registered in Guernsey on 19 April, 2006 and its principal place of business is at 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St. Peter Port, Guernsey, GY1 1EW. 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 US portfolio comprises commercial properties throughout the US leased to numerous tenants and multi-tenant residential properties in New York City.

The Group invests primarily in such properties that provide substantial income flows and potential for value increase through asset management.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards). The financial statements have also been prepared in accordance with IFRS Accounting Standards adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain 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 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

The principal accounting policies adopted are set out below.

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

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has 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
- Has the ability to use its power to affect its returns

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of a subsidiary acquired or disposed of during the year are included in profit or loss and 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.

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.

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.

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.

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.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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
- 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 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)

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

Leases: (Cont.)

- 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.

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 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.

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

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

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.

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 and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 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.

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

Taxation (Cont.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

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
- 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 achieved by both collecting contractual cash flows and selling the financial asset
- 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

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

Financial instruments (Cont.)

Financial assets (Cont.)

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)
- 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).

(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.

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

Financial instruments (Cont.)

Financial assets (Cont.)

(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.

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 either:

- It has been acquired principally for the purpose of selling it in the near term
- 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
- 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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

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

Financial instruments (Cont.)

Financial assets (Cont.)

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 to reflect changes in credit risk since initial recognition of the respective financial instrument.

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.

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, but is transferred to retained earnings.

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.

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

Financial instruments (Cont.)

Financial liabilities and equity (Cont.)

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.

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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.
The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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

Financial instruments (Cont.)

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 interest 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.

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. 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.

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

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 10. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.
For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

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.

- **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.

  <u>Deferred taxes</u>
  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).

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

Key sources of estimation uncertainty (Cont.):

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

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRS Standards 2018–2021

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.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

NOTE 4: ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS:

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 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. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.
The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

NOTE 5: INVESTMENT PROPERTIES

A. Changes in years 2021 and 2022

	Euro in thousands
Balance at 1 January 2021	1,457,729
Additions for the year (C)	575,234
Disposals during the year (D)	(916,379)
Foreign currency translation reserve	6,908
Fair value adjustments during the year	109,594
Other	3,705
Balance at 31 December 2021	1,236,791
Additions for the year (C)	435,961
Disposals during the year (D)	(41,465)
Foreign currency translation reserve	34, 353
Fair value adjustments during the year	94,207
Balance at 31 December 2022	1,759,847

NOTE 5: INVESTMENT PROPERTIES (Cont).

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

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

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 between €6-€23 per month per square meter (2021: €5-€22); for retail properties between €4-€90 per month per square meter (2021: €4-€57); for logistics properties between €2-€15 per month per square meter (2021: €2-€15); for residential properties between €10-€34 per month per square meter (2021: €9-€32). In Germany, discount rates for office, commercial, residential and logistics properties range between 3.8%-8.8% (2021: 3.0%-7.5%). In the US, discount rates range between 4.5%-5.8% for residential assets and 13%-17% for commercial properties.

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) and discount rates (when these increase, a decrease in properties value 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.

NOTE 5: INVESTMENT PROPERTIES (Cont.)

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

2. Supplemental information

Lettable area

	As 31 December 2022						As 31 December 2021					
	Offices	Logistic	Retail	Residential	Other	Total	Offices	Logistic	Retail	Residential	Other	Total
	Sqm						Sqm					
	161,247	148,475	1,250,071	247,344	27,827	1,834,964	160,823	148,475	623,794	181,371	27,827	1,142,290
Percent of total assets	9%	8%	68%	13%	2%	100%	14%	13%	55%	16%	2%	100%

Fair value – analysis by use

	As 31 December 2022						As 31 December 2021					
	Offices (*)	Logistic	Retail	Residential	Other	Total	Offices (*)	Logistic	Retail	Residential	Other	Total
	Euro in thousands						Euro in thousands					
	320,400	166,330	738,092	514,395	20,630	1,759,846	356,239	167,350	330,276	363,220	19,706	1,236,791
Percent of total assets	18%	9%	42%	29%	1%	100%	29%	14%	27%	29%	1%	100%

(*) Including fair value of associated building rights.

NOTE 5: INVESTMENT PROPERTIES (Cont.)

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

2. Supplemental information (Cont.)

NOI – analysis by use

	As 31 December 2022						As 31 December 2021				
	Offices	Logistic	Retail	Residential	Other	Total	Offices	Logistic	Retail	Residential	Total
	Euro in thousands						Euro in thousands				
	8,253	7,707	59,514	23,644	(99)	99,019	20,248	16,544	20,440	4,364	61,596
Percent of total assets	8%	8%	60%	24%	0%	100%	33%	27%	33%	7%	100%

Adjustment to fair value – analysis by use

	As 31 December 2022					As 31 December 2021				
	Offices	Logistic	Retail	Residential	Total	Offices	Logistic	Retail	Residential	Total
	Euro in thousands					Euro in thousands				
	(34,922)	(3,606)	117,737	14,998	94,206	6,994	2,276	105,437	(5,113)	109,594
Percent of total assets	(37) %	(4) %	125%	16%	100%	6%	2%	97%	(5%)	100%

Average rent

	Offices		Logistic		Residential		Retail	
	As 31 December							
	2022	2021	2022	2021	2022	2021	2022	2021
€/sqm/month	9.4	8.5	5.2	5.2	9.0	17	17.9	9.0
Range €	(6.3 – 23.2)	(5.3 – 22.1)	(2.2 – 15)	(2.4 – 14.6)	(4.3 – 9.1)	(8.8 – 31.5)	(9.7 – 34.2)	(4.2 – 57.4)

NOTE 5: INVESTMENT PROPERTIES (Cont.)

C. Additions

1) Additions in USA during the period

a. Acquisitions of residential properties:

During May 2021, a subsidiary of the Company reached an agreement 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.
Property 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% -95% of the capital required for each transaction, and the local partner will fund the remaining 5% -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.

During 2021, transactions were completed for the purchase of 2,240 housing units for rent in New York for approximately $400 million. The residential buildings purchased include an area for rent of approximately 181 thousand square meters. The acquisition was financed from the company's own resources and bank financing.

During 2022, transactions were completed for the purchase of 700 housing units for rent in New York for approximately $110 million. The residential buildings purchased include an area for rent of approximately 60 thousand square meters. The acquisition was financed through bank financing and the Company's own resources.

Total bank financing related to the above transactions during 2021-2022 amounted to approximately $365 million at an average fixed annual interest rate of approximately 3%, without principal repayments in the first three years.

As of the date of approval of these financial statements, the Company holds 90 residential properties across New York that include approximately 3,000 housing units for rent with a total lettable area of approximately 250 thousand square.

NOTE 5: INVESTMENT PROPERTIES (Cont.):

C. Additions (Cont.):

2) Additions in USA during the period (Cont.)

b. Acquisition of commercial properties

1. During February 2021, a subsidiary of the Company acquired 3 commercial properties in the state of Michigan in the United States, for a total consideration of approximately $ 17.5 million. At the time of acquisition, the average occupancy rate of the assets was approximately 51% and the annual income from them, based on existing contracts, net of operating expenses, amounted to $ 4-5 million. And about $ 9 million in external credit. The subsidiary entered into the transaction through a US subsidiary under its control (the "US Subsidiary"), which is held together with a local asset manager, who is not affiliated with the company and / or its controlling shareholders (the "local manager"). Under the agreement with the local manager, he will be responsible for the day-to-day operation of the properties and will work to locate investments in similar real estate properties. The company will provide approximately 90% of the equity required for the transaction, and the local manager will provide approximately 10% of the required equity. The positive cash flow of the property companies will be divided between the parties according to the equity investment ratio until the return on investment plus 12% per annum. Thereafter, all the surplus of the property companies will be distributed in such a way that 50% of the surplus will be distributed among the shareholders in the US Subsidiary while 50% will be paid as success fees to the local manager related entity, until the US Subsidiary shareholders enjoy an IRR of 20% on their investment. Any excess surplus will be divided in such a way as to ensure that the total cumulative divisions from the property companies will be divided equally between a party related to the local manager and the shareholders in the US Subsidiary. The US Subsidiary has an option to purchase about 42% of the holdings of the local manager. Also, during 2021, a subsidiary of the Company in an agreement with a local partner acquired the lease rights in two hotels that include 514 rooms in central locations in Manhattan, New York. The hotels in an area of about 27 thousand square meters are built on leased land for a period of 25-90 years.

2. During July 2021, a subsidiary of the Company acquired 8 commercial properties throughout the United States for a total consideration of approximately $ 66 million. The said properties include an area for rent of approximately 287 thousand sqm. At the time of acquisition, the average occupancy rate of the assets was approximately 64% and the annual income from them, based on existing net contracts less operating expenses, amounted to $ 18 million.
   The subsidiary entered into the transaction through a US subsidiary under its control, which is held together with the local manager, in a format similar to that described in section 1 above.

NOTE 5: INVESTMENT PROPERTIES (Cont.):

C. Additions (Cont.):

2) Additions in USA during the period (Cont.)

b. Acquisitions of commercial properties (Cont.):

3. During November 2021, a subsidiary of the Company entered into transactions for the acquisition of three shopping centres in the United States, for a total of approximately $ 113 million. At the time of acquisition, the average occupancy rate of the assets was approximately 87% and the annual income based on existing contracts, net of operating expenses, amounted to $ 26 million.
   The subsidiary entered into the transaction through a US subsidiary under its control, which is held together with the local manager, in a format similar to that described in section 1 above.

4. Throughout 2022, 15 commercial properties were acquired for a total consideration of approximately $330 million. The properties include lettable area of approximately 680 thousand sqm and the expected Net Operating Income ("NOI"), based on existing net contracts, amounts to approximately $53 million.

5. As of the date of approval of these financial statements, the Company holds 28 commercial properties across the United States, with a total lettable area of approximately 1.3 million square meters and expected annual income from them, based on existing contracts, net of operating expenses, is over $80 million.

NOTE 5: INVESTMENT PROPERTIES (Cont.):

C. Additions (Cont.):

2) Additions in USA during the period (Cont.)

c. Following is a list of assets and liabilities acquired during the reporting period (in connection with the above acquisitions):

	Euro in thousands
Consideration	222,871
Investment properties	404,353
Other tangible assets	243
Other assets	7,323
Interest bearing loans and borrowings	(159,980)
Other liabilities	(13,602)
Total assets, Net	**238,877**
Attributable to equity holders of the Company	222,871
Attributable to non-controlling interests	16,006

D. Disposals:

1. Disposals in Germany

At the end of June 2021, the Company sold part of its portfolio of assets in Germany. As a result of the sale, the Company recognised a profit of approximately €10 million, which was charged to the item other income in the income statement.

Trade receivables and other assets	8,532
Other tangible Assets	43
Investment properties	909,080
Trade accounts and other payables	(11,482)
Interest bearing loans and borrowings	(271,560)
Deferred tax liabilities	(47,581)
Non-controlling interests	(26,753)
Total assets, Net	**560,280**
Funds received	571,116
Profit from the sale of the subsidiaries	10,836

2. During 2022 €45.3 million of US outparcels were sold. The total annual NOI generated by the sold outparcels was approximately $2.8 million. Since commencing activity in the US during 2021 and up to the date of signing this report, $54.1 million of US outparcels were sold, generating annual NOI of $3.4 million.

NOTE 6: OTHER LONG-TERM ASSETS AND LIABILITIES

	31 December	
	2022	**2021**
	Euro in thousands	
Other long-term financial assets:		
Financial assets measured at fair value through OCI (1)	3,495	3,625
Long-term loans receivable measured at amortised costs (2)	4,504	10,671
Financial assets measured at fair value through profit and loss (3)	8,346	10,140
Loans to others	-	15,925
Other financial assets	1,480	757
Total long term financial assets	17,825	41,118
Other long-term non-financial assets	3,036	2,671
Other long-term financial liabilities:		
Other financial liabilities (4)	9,530	6,243

(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 €9.8 million, out of which, €1.5 million included in short term assets.

(4) As of 31 December 2022, the balance is mainly due to the impact of adopting IFRS 16 (€1.8 million) starting from 1 January 2019, whereby a right of use assets has been recognized for the Group’s leased office premises, and due to Tenant Security Deposit (€6.7 million).

NOTE 7: INTEREST - BEARING LOANS AND BORROWING

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

	Effective interest rate	Maturity	31 December 2022	31 December 2021
	%		Euro in thousands	
Current:				
Current maturities of long-term loans	1.75-14	2023	8,677	4,534
Non-current:				
Long term loans and borrowings	1.75-14	2024-2032	752,319	585,035

A. The outstanding costs of raising loans as of 31 December 2022 are €8.3 million (2021: €5.9 million). These are presented net of interest-bearing loans and borrowings and amortised over the period of the loans.

B. Throughout 2022, the Company obtained debt facilities secured by US properties. €53.6 million were received on a 30-year term at an average annual interest of 3.4% fixed for 7 years; €89.1 million were received on a 10-15-year term at an annual interest rate of 3.0%-5.75% fixed for an average period of 5 years. Additional €41.8 million were obtained at an average annual interest rate of 6.4% in 2023. In addition, to finance certain property acquisitions during the year, the Company obtained €84.5 million of bridge loans at an annual variable interest rate of 11%-14%.

C. During 2022, the Company acquired €38.6 million of its outstanding senior notes for a price which approximates their market price. After the Reporting Period additional €8.35 million were acquired.

D. Some of the financing agreements include a Debt Service Cover Ratio (DSCR) covenant of 100%-125% or a Debt Yield covenant of 14%-18%.

E. As at 31 December 2022 the borrowing entities comply with all the covenants set in their financing agreements.

NOTE 8: TRADE RECEIVABLES

	31 December 2022	31 December 2021
	Euro in thousands	
Trade receivables	17,486	9,882
Trade receivables from sale of apartments	101	157
Provision for doubtful debts	(12,901)	(8,031)
	4,686	2,008

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

Movements in the provision for doubtful debts:

	Euro in thousands
At 1 January 2021	994
Utilised	28
Released	(246)
First consolidation	7,255
At 31 December 2021	8,031
Utilised	6,140
Released	(1,270)
At 31 December 2022	12,901

NOTE 9: PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
	Euro in thousands	
Prepaid expenses and other	16,834	10,787
Designated cash	8,718	8,783
	25,552	19,570

NOTE 10: CASH AND CASH EQUIVALENTS

	31 December	
	2022	2021
	Euro in thousands	
Cash at banks	278,759	410,186

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 2021	321,722,372
Change in the period (note 11D)	-
At 31 December 2021	321,722,372
Change in the period	-
At 31 December 2022	**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 2022 is €151.2 million (as of 31 December 2021 – €151.2 million). This balance is included in other reserves. 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. NAV and EPRA NAV:

	As of 31 December 2022		As of 31 December 2021	
	€, thousands	€, per share	€, thousands	€, per share
NAV (*)	1,012,946	3.15	911,278	2.83
Financial derivatives	-		-	
Deferred Tax, net	141,961		113,565	
EPRA NAV (**)	1,154,907	3.59	1,024,843	3.19

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

NOTE 11: SHARE CAPITAL (Cont.)

D. Transaction with non-controlling interests:

During 2022, 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.

During the period, a subsidiary of the Company acquired the minority holdings in one of the Company's NYC hotels. The minority holdings in the other NYC hotel was acquired during the first quester of 2023.

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	
	2022	**2021**
	Euro in thousands	
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	80,100	96,423

	Year ended 31 December	
	2022	**2021**
	In thousands	
Number of shares		
Weighted average number of ordinary shares for the purposes of the basic earnings per share	321,722	321,722

NOTE 12: EARNINGS PER-SHARE (Cont.)

Earnings Per Share:	Year ended 31 December	
	2022	2021
Basic (Euro per share)	0.25	0.30
Diluted (Euro per share)	0.25	0.30

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	
	2022	2021	2022	2021
	Euro in thousands		Euro in thousands	
Related parties	24,531	38,798	2,619	1,831

As of 31 December 2022, Summit Real Estate Holdings Ltd ("**SHL**") holds approximately 99.15% 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 provisions for management fees to SMC and for performance-based compensation of €1,456 thousand, including Special Bonus provision as detailed below (2021: €1,644 thousand).

The balance owed by related party as of 31 December 2022 comprised of a loan to SHL. The loan bears an annual interest rate of 3-month Libor plus a margin of 1%. As at the date of approval of these financial statements the total amount owned from SHL is €24.5 million, including €732 thousand of interest income that was recognised during the Reporting Period and is included in the Financial Income of the Company's Profit and Loss account.

A. Compensation of key management personnel:

	2022	2021
	Euro in thousands	
Directors' fees (1)	535	168
Management fees (note 13B)	1,510	2,066
Special Bonus (note 13B)	3,223	3,558
Total compensation paid to key management personnel	5,268	5,792

(1) Refers to one executive director and three non-executive directors.

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 corporate 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 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.

In addition to the performance-based bonus detailed above, 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.

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 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), in the amount of €3.5 million, will be paid in 2021, subject to a pre-tax profit of the Group for 2020 not to be less than €70 million. The amount was paid during the reporting period.

As at 31 December 2022 the criteria for the performance-based bonus and the criteria for the Special Bonus were met and provisions in the amount of €750,000 and €3.2 million, respectively, were made during the period. The bonuses are subject to the approval of the board of directors of the Company after the end of the accounting year. Consequently, in 2023 the above bonus was approved by the board.

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

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

In January 2023, the management agreement with SMC was extended for further three years until 31 December 2025. As part of the extension, the Special Bonus remained in effect provided that the profit from qualifying sales will be calculated in relation to the IFRS value of the Company's properties as of 30 September 2022.

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 2022, the Shortfall is approximately €137.2 million (2021: €118.3 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	
	2022	2021
	Euro in thousands	
Accrued expenses	7,922	3,058
Accrued interest	3,789	3,213
Service charge prepayments	-	2,227
VAT	42	76
Provisions (a)	18,010	19,720
Trade accounts payable	7,892	3,887
Other	9,871	1,004
	47,526	33,185

(a) Including provision for bonuses as described in Note 13B.

NOTE 15: GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2022	2021
	Euro in thousands	
Management and directors' fees (a)	2,045	2,234
Professional fees (b)	1,836	2,442
Salaries	3,560	3,745
Administration fees	117	104
Office expenses	279	576
Other expenses	994	2,247
	8,830	11,348

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

(c) Professional fees include closing and audit fees in the amount of €194 thousand (2021: €263 thousand).

NOTE 16: FINANCIAL EXPENSES (INCOME)

	Year ended 31 December	
	2022	2021
	Euro in thousands	
Financial expenses:		
Interest on borrowings	23,800	13,671
Amortisation of cost of raising loans	2,387	1,715
Other	3,150	367
Total financial expenses	29,337	15,753
Financial income:		
Total financial income	11,454	1,214

NOTE 17: TAXATION

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

	Year ended 31 December	
	2022	2021
	Euro in thousands	
Current income tax:		
Current income tax charge	1,318	304
Deferred income tax (See C):		
Relating to origination and reversal of temporary differences	27,036	31,615
Income tax expense reported in the statement of comprehensive income	28,354	31,919

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 2022 is 15.825% (31 December 2021: 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%.

C) The Company operates in the United States ("U.S.") through a U.S. resident holding company (hereinafter: "Holding Company"), which holds rights in real estate partnerships through partnerships (LLCs) that are considered as transparent for U.S. tax purposes, so the Holding Company is the income taxpayer produced by LLCs.
The Group's investments in the Holding Company and the Holding Company's investments in the LLC companies are done by capital investments as well as by interest-bearing inter-company loans. The activity in the U.S. is subject to federal, state, and local government tax (in some cases). The total tax rate ranges from 25% to 29%.
Dividend payments outside the U.S. are subject to withholding tax in the U.S. at a rate of 30%, in accordance with U.S. domestic law. However, when such payments are transferred to a German resident company that has an agreement with the U.S., the withholding tax will be at a rate of 5% subject to compliance with the rules of the U.S. – German Tax Treaty. Deduction of interest expenses in the U.S. is subject to the rules of thin financing under U.S. law.

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	
	2022	**2021**
	Euro in thousands	
Profit before taxes on income	154,141	154,852
Tax at the statutory tax rate in Germany (15.825%)	24,393	24,505
Increase (decrease) in respect of:		
Profit (losses) for which deferred taxes were not recorded	(11,841)	2,917
Effect of different tax rate	16,871	9,946
Non-deductible expenses, net	1,000	1,055
Difference between tax and reporting GAAP	1,731	(5,509)
Other	(3,800)	(995)
Income tax expense	28,354	31,919

NOTE 17: TAXATION (Cont.)

D) Deferred income tax:

	Consolidated statement of financial position	
	2022	**2021**
	Euro in thousands	
Deferred tax asset (liability)		
Revaluations of investment properties to fair value	(151,774)	(123,201)
Losses carried forward	6,091	6,313
Provisions	1,032	475
Other	2,690	2,848
Deferred tax liabilities, net	(141,961)	(113,565)

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	
	2022	**2021**
	Euro in thousands	
Deferred tax liability	(141,961)	(113,565)

	Consolidated statement of comprehensive loss (income)	
	2022	**2021**
	Euro in thousands	
Deferred tax expense (income)		
Revaluations of investment properties to fair value	27,213	34,146
Losses carried forward	222	1,972
Other	(399)	(4,503)
Increase in deferred tax	27,036	31,615

	Other comprehensive income	
	2022	**2021**
	Euro in thousands	
Deferred tax income		
Revaluations of foreign currency translation reserve	1,360	1,237
Revaluations of financial instruments	-	68
Increase in deferred tax	1,360	1,305

NOTE 17: TAXATION (Cont.)

E) Group's carried forward tax losses in Germany for which deferred taxes were not recognised are approximately €25 million (2021: €18 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.

F) Tax liability for the purchase of a real estate property in Germany:
The purchase of a real estate property in Germany is subject to Real Estate Transfer Tax (RETT), usually at a rate of 5.5% to 6.5% of the purchase price. Under German law, the tax burden is imposed on both seller and buyer. The transfer of control of 90% or more of the rights owned by a German entity to third parties within a period of 10 years will be subject to RETT.

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/or 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 2022, the majority of the Group's borrowings are at a fixed rate of interest.

- **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 2022, the Group does not hold any marketable securities and does not hold significant financial instruments measured at FVTOCI (see note 6).

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.

- **Foreign currency risk:**

The Group is mainly exposed to the currency of the US Dollar. The foreign currency risk arises from recognized assets and liabilities denominated in a foreign currency other than the Company's operating currency.

Liquidity risk:

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

	As at 31 December 2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	43,862	54,096	378,077	72,705	337,611	886,350
Trade and other payables	29,514	-	-	-	-	29,514
Tenants Security Deposit	-	-	-	-	-	7,049
Other liabilities	191	192	196	201	1,701	2,481
Payables to related parties and shareholders	2,619	-	-	-	-	2,619
	76,186	61,337	378,273	72,906	72,906	928,014

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Liquidity risk: (Cont.)

	As at 31 December 2021					
	Up to 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	Euro in thousands					
Interest bearing loans and borrowings	22,430	19,399	44,023	324,180	257,797	667,829
Trade and other payables	13,464	-	-	-	-	13,464
Tenants Security Deposit	-	3,225	-	-	-	3,225
Other liabilities	520	201	192	196	1,910	3,019
Payables to related parties and shareholders	1,831	-	-	-	-	1,831
	38,245	22,825	44,215	324,376	259,707	689,368

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 2022 and 31 December 2021.

The gearing ratios at 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
	Euro in thousands	
Non-current interest-bearing loans and borrowings	752,319	585,035
Current loans and borrowings	8,677	4,534
Less cash and cash equivalents	(278,759)	(410,186)
Net debt	482,237	179,383
Equity	1,171,697	1,018,125
Total capital	1,653,933	1,197,508
Gearing ratio	29%	15%

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.

As at 31 December 2022 there are no financial instruments of interest – bearing loans and borrowings (31 December 2021: none.)

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 2022			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (note 5)	-	-	1,759,847	1,759,847
Financial assets				
Financial assets measured at fair value through profit and loss (a)(b)	-	-	9,846	9,846
Financial assets at FVTOCI	-	-	3,495	3,495
Total	-	-	1,773,188	1,773,188

	31 December 2021			
	Level 1	Level 2	Level 3	Total
	Euro in thousands			
Non - Financial assets:				
Investment properties (note 5)	-	-	1,236,791	1,236,791
Financial assets				
Financial assets measured at fair value through profit and loss (a)(b)	-	-	27,565	27,565
Financial assets at FVTOCI	-	-	3,625	3,625
Total	-	-	1,267,981	1,267,981

(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.

(b) See note 6(1).

NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

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

(c) Derivative instruments:

The fair value of derivative interest rate contracts (interest rate swap agreements) is 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.

	1 January 2022	Financing cash flows	Acquisition of subsidiary	Fair value adjustments	Other changes	31 December 2022
Interest-bearing loans and borrowings	589,569	32,173	487,936	-	(348,682)	760,995
Derivative financial liabilities	-	-	-	-	-	-

	1 January 2021	Financing cash flows	Acquisition of subsidiary	Fair value adjustments	Other changes	31 December 2021
Interest-bearing loans and borrowings	593,853	(11,891)	278,186	-	(270,579)	589,569
Derivative financial liabilities	2,190	-	-	-	(2,190)	-

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 term of between 1 and 19 years. The average non-cancellable lease length is approximately 4.7 years in Germany and 1.7 years in the US.
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.

NOTE 20: OPERATING LEASE (Cont.)

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

Germany:

	For the year ended 31 December	
	2022	**2021**
	Euro in thousands	
Within one year	21,381	19,412
After one year but not more than five years	57,421	49,359
More than five years but not more than ten years	26,059	17,906
More than ten years but not more than fifteen years	3,494	4,723
More than fifteen years	1,666	333
	110,021	91,733

US:

	For the year ended 31 December	
	2022	**2021**
	Euro in thousands	
Within one year	147,467	83,810
After one year but not more than five years	177,311	103,258
More than five years but not more than ten years		
More than ten years but not more than fifteen years		
More than fifteen years		
	324,778	187,068

NOTE 21: PROPERTIES FOR DEVELOPMENT

During the Reporting period, a subsidiary of the Company started with the construction of 68 residential units on its existing property located in Frankfurt. Most of the units in development are part of a new building that will be constructed. The remaining units will result from the conversion of currently vacant office spaces, with no major impact on the current rent expected from the construction process. As at 31 December 2022, the total of the investments of €20.7 million (31 December 2021: €13.5 million) comprised mainly of the project described above.

NOTE 22: 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 in Germany.

Segment B - commercial investment properties - Leasing property for rental income in the US (see Note 3B).

Segment C - residential investment properties - Leasing property for rental income in the US (see Note 3B).

Segment D - Other.

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 31 December 2022:

	Investment Properties - Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Income	19,004	77,274	49,113	26,796	172,187
Segment profit (*)	(30,192)	167,771	33,806	637	172,022
Expenses not allocated to the segment					-
Operating profit					172,022
Finance expenses, net	599	(8,128)	(10,352)	-	(17,881)
Profit before taxes on income	(29,593)	159,642	23,455	637	154,141
(*) Includes revaluation gain of investment properties	(39,142)	118,351	14,998	-	94,207

NOTE 22: OPERATING SEGMENTS (Cont.):

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

Year ended 31 December 2022:

	Investment Properties Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Segment assets	824,179	713,046	551,726	45,985	2,134,936
Assets not allocated to the segment					-
Total assets					2,134,936
Segment liabilities	295,399	169,047	345,971	10,858	821,275
Liabilities not allocated to the segment					141,961
Total Liabilities					963,236

Year ended 31 December 2021:

	Investment Properties - Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Income	45,977	17,791	7,323	6,052	77,143
Segment profit (*)	59,282	114,573	(1,227)	(3,237)	169,391
Expenses not allocated to the segment					-
Operating profit					169,391
Finance expenses, net	(6,239)	(6,612)	(1,688)	-	(14,539)
Profit before taxes on income					154,852
(*) Includes revaluation gain of investment properties	10,900	103,808	(5,114)	-	109,594

NOTE 22: OPERATING SEGMENTS (Cont.):

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

Year ended 31 December 2021:

	Investment Properties Germany	Commercial investment properties - USA	Residential investment properties - USA	Other	Total
	Euro in thousands				
Segment assets	1,039,561	291,137	398,668	36,053	1,765,419
Assets not allocated to the segment					-
Total assets					1,765,419
Segment liabilities	330,394	52,657	246,841	3,837	633,729
Liabilities not allocated to the segment					113,565
Total Liabilities					747,294

NOTE 23: THE COMPANY'S HOLDINGS AS OF 31 DECEMBER 2022

	Principal activity	Country of incorporation	Direct 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%

In addition the Company holds indirectly subsidiaries, which own real estate assets of the Group.