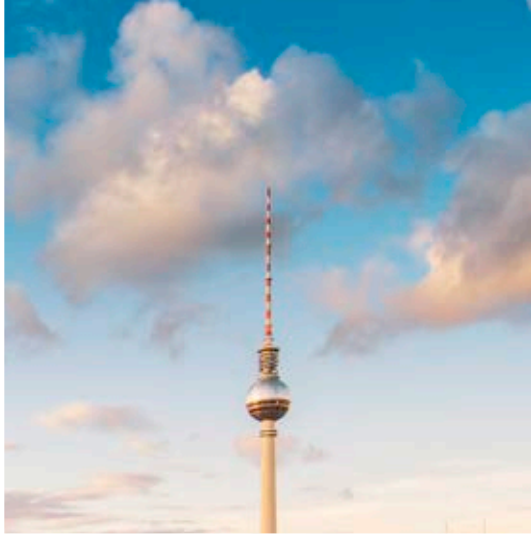
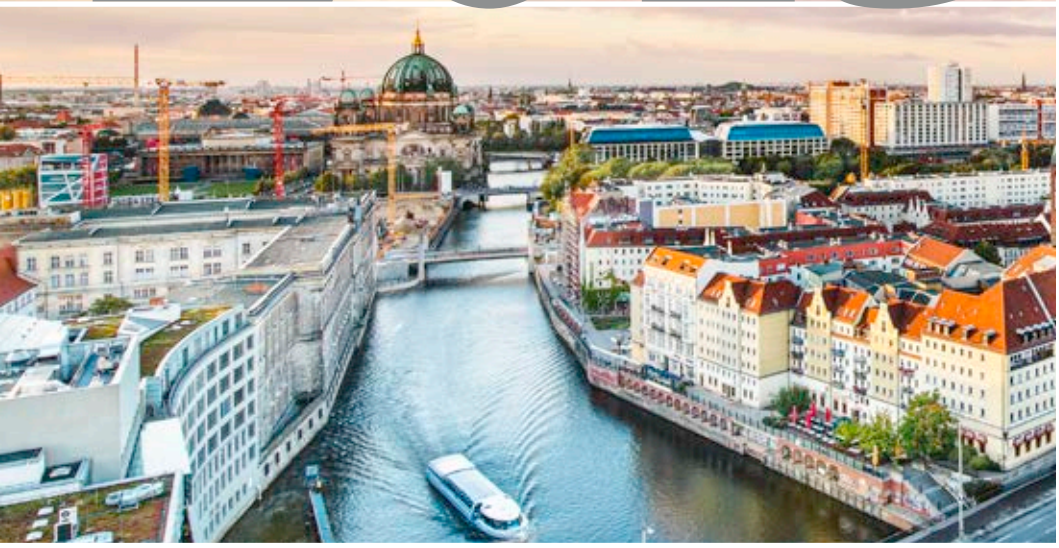
2013

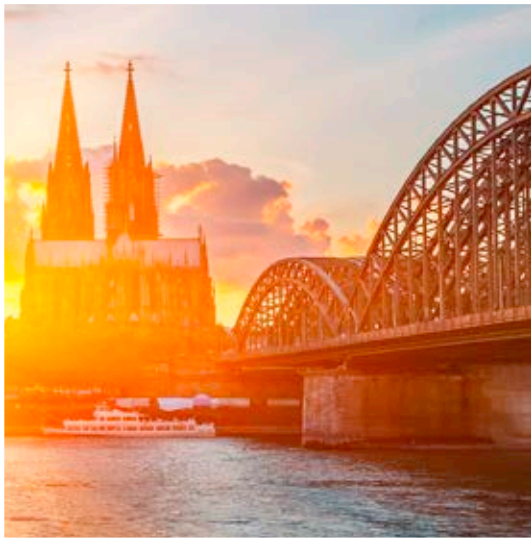




CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
December 31, 2013

GRAND CITY
Properties S.A.



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

CONTENT

IMPRINT

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KEY FINANCIALS

NET PROFIT (€ 000')

DEC 2012	CHANGE	DEC 2013
92,916	+ 186 %	266,052

REVENUE (€ 000')

DEC 2012	CHANGE	DEC 2013
60,372	+ 181 %	169,630

EBITDA (€ 000')

DEC 2012	CHANGE	DEC 2013
122,460	+ 150 %	306,175

FFO I (€ 000')

DEC 2012	CHANGE	DEC 2013
11,441	+ 233 %	38,144

EPRA NAV (€ 000')

DEC 2011	DEC 2012	DEC 2013
110,947	338,979	859,436

FFO I PER SHARE (€ 000')

DEC 2012	CHANGE	DEC 2013
0.26	+ 93 %	0.50

EPS (BASIC)

DEC 2012	CHANGE	DEC 2013
1.97	+ 51 %	2.97

FFO II (€ 000')

DEC 2012	CHANGE	DEC 2013
28,850	+ 85 %	53,228

LOAN-TO-VALUE

DEC 2011	DEC 2012	DEC 2013
49.9 %	44.2 %	35.7 %

CASH FLOW FROM OPERATIONS (€ 000')

DEC 2012	CHANGE	DEC 2013
34,437	+ 78 %	61,401

EQUITY RATIO

DEC 2011	DEC 2012	DEC 2013
30.8 %	36.6 %	46.5 %

PORTFOLIO DEVELOPMENT IN UNITS (€ 000')

DEC 2011	DEC 2012	DEC 2013
8,750	12,000	26,000

ACHIEVEMENTS

RENTAL AND OPERATING INCOME

OPERATIONAL HIGHLIGHTS

- Total portfolio exhibited continuous growth to over 26,000 units (28,000 units as of February 2014)
- Significant shifting up the proportion of the stabilized portfolio from 25% in Dec 2012 to 33% in Dec 2013
- Rental revenue "run rate" (monthly annualized), representing the Jan 2014 portfolio amounts to approx. Euro 170 million

CAPITAL MARKETS

- Euro 211 million capital increases through two increases of Euro 175.5 million in December 2013, with the book runners J.P. Morgan and Berenberg, and Euro 35.7 million in February 2013
- Full conversion of Euro 100 million convertible bond into 24.9 million shares within less than a year since bond issuance
- Issuance of Series B Bonds in two tranches with total amount of Euro 200 million, due in 2020
- S&P Rating as of February 2014 BB+, (ilAA-) with a stable outlook. Rating applies to both the Company and bonds

POST BALANCE SHEET EVENTS

- In February 2014, GCP issued a 5 year convertible bond of Euro 150 million, bearing a coupon rate of 1.5% with J.P. Morgan, Berenberg and Deutsche Bank as bookrunners
- Takeover and signed deals for approx. Euro 230 million
- Acquisition of a management company for real estate properties, providing asset and property management to 18,000 units in Germany with a large focus on the Company's strategic locations.

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	2013 €'000	2012 €'000
Revenue	169,630	60,372
Rental and operating income	99,580	39,872
EBITDA	306,175	122,460
Profit for the period	266,052	92,916
EPS (basic)	2.97	1.97
FFO I	38,144	11,441
FFO I per share	0.50	0.26
FFO II	53,228	28,850

FINANCIAL POSITION HIGHLIGHTS

AS OF	31.12.13 €'000	31.12.12 €'000
Cash and liquid assets	166,800	80,977
Total Assets	1,651,087	554,720
Investment Property (including advanced payment)	1,375,450	409,508
Inventories – trading properties	19,949	-
Total Equity	767,925	202,943
EPRA NAV	**859,436**	**338,979**
Loans and borrowings	472,316	176,001
Convertible bond	-	95,920
Bond Series B	194,676	-
Loan To Value	35.7%	44.2%
Equity Ratio	46.5%	36.6%

KEY LOCATIONS

THE COMPANY

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors hereby submits their annual report for 2013.

The figures presented in this Board of Directors' Report are based on consolidated financial statements as of December 31, 2013.

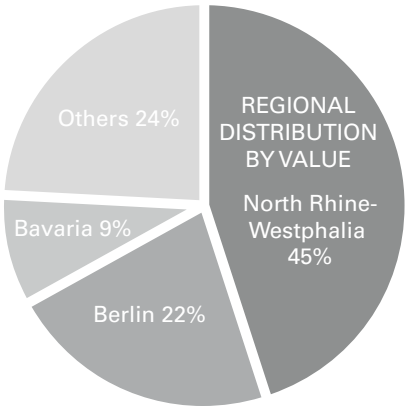
Grand City Properties S.A. is a specialist real estate company focused on investing in and managing turnaround opportunities in the German real estate property market. The Group's total portfolio as of February 2014 consisted of approx. 28,000 units (hereinafter "GCP portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, in the capital city Berlin, Bavaria and other highly densely areas.

GCP is active in all relevant asset and property management activities along the real estate value chain. The Group's business model is focused on buying real estate properties with strong underlying fundamentals which are not optimally managed or positioned, and turning them around through intense property management and tenant management as well as through targeted modernizations. This enables the Company to create significant value in its portfolio.

KEY STRENGTHS

ATTRACTIVE PORTFOLIO WITH DEFENSIVE CHARACTERISTICS AND SIGNIFICANT REPOSITIONING POTENTIAL

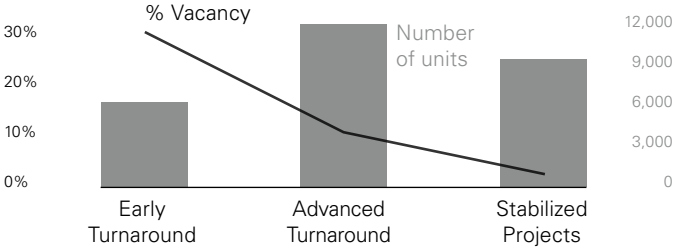
GCP's portfolio is made up of a well-balanced mix of properties that are attractively located and have been specifically selected because of their significant potential for value creation. With a portfolio as of February 2014 of approx. 28,000 units, the Group's portfolio is located mainly in North Rhine-Westphalia, one of Germany's most productive and populous federal states, and in Berlin, the country's capital. GCP's properties are typically rented at affordable rent levels.



The Group holds 45% of its portfolio in NRW, 22% in Berlin and 9% in Bavaria, and seeks to expand in additional locations. The current regional distribution enables the Company on one hand to benefit from economy of scale and on the other hand provides a diverse and well allocated portfolio. Since December 2012, GCP has increased its real estate portfolio through additional growth of approx. 16,000 units predominantly in Berlin, NRW, Nuremberg, Mannheim and Dresden.

GCP has grouped the investment properties of its real estate portfolio into three stages allowing the effective management and constant monitoring on the progress of its turnaround and repositioning activities: stabilized properties which have lower vacancy rates than 5%; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which generally, when acquired, provide vacancy rates higher than 15%.

Applying this definition, as of December 31, 2013 approx. 33% of the total units are in the stabilized stage, approx. 44% of the total units are in the advanced turnaround stage and approx. 23% of the total units are in the early turnaround stage. The current spread of the Group's portfolio throughout the various stages, provides on one hand stable cash flow and on the other, embeds further growth and value creation potential in the existing portfolio.



The monthly in-place net rent of GCP's portfolio as of December 31, 2013 amounted to approx. Euro 4.9 per square meter with a portfolio vacancy rate of 13.8%.

FULLY INTEGRATED AND SCALABLE PLATFORM THAT IS TAILORED FOR ACQUISITIONS AND FAST GROWTH

GCP has developed a platform that provides efficient in-house management of its existing real estate portfolio and support for the execution of its expansion plans. The Group has dedicated and experienced staff members located in its central and regional offices. This team covers the full spectrum of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting and IT. In particular, it's advanced proprietary IT system enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. The focus on cost extends to the entire operations of GCP, including those that are chargeable to its tenants.

Management believes that the portfolio today has the capacity to grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

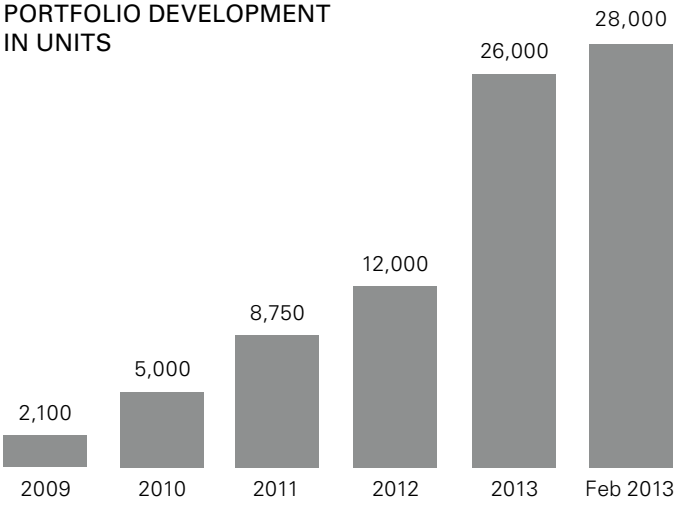
In 2014, GCP has completed the full implementation of a management company for real estate properties, providing asset and property management to 18,000 units in Germany with a large focus on the Company's strategic locations.
The acquisition of the management company is part of the Company`s tailor made strategy, to strengthen the ability to support its fast growth on one hand and to increase the capabilities to generate revenues on the other.
The transaction will also support the quick and rapid takeover of the current pipeline and further property acquisitions and therefore will provide a tailwind for the growth strategy of the Company.

DEMONSTRATED ABILITY TO SOURCE PROPERTIES AND BUILD PIPELINE

GCP's established reputation provides local and national level access to multiple investment opportunities often before they are widely promoted or publicized, and frequently at improved prices to reflect GCP's perceived quality as counterparty. The advantage has also extended to improved access to financing and helped create strong relationships with debt providers. GCP believes it operates in an attractive market segment where the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors.

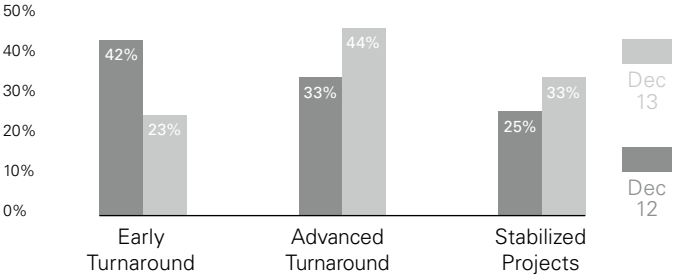
From 2012 to 2013 GCP's portfolio increased by 14,000 units from 12,000 in December 2012 to 26,000 at the end of 2013. As of the date of this report the Company acquired additional 2,000 units holding 28,000 units in total.

PORTFOLIO DEVELOPMENT IN UNITS



STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING ASSETS

GCP's skill is not only in acquiring properties with significant potential but also in designing and implementing very specific strategies for each asset to significantly improve its operating performance and thus its value. GCP's continuous asset management effort results not only in improved yield on its portfolio, but also in tangible value creation that is immediately captured in the Group's financial performance. GCP's experience also allows it to maximize returns after repositioning by disposing of properties when appropriate.

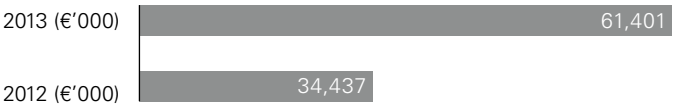


Decreasing vacancy rates from earlier to later stages proves the competency of the management team and validates the effectiveness of the business model. Since December 2012 GCP has substantially shifted its portfolio into a stabilized portfolio from 25% in December 2012 to currently 33% and for the early turnaround portfolios from 42% to 23% in the same period through the successful turnaround process and acquisitions. Such shifting results in more recurring and constant cash flows through higher revenues, lower costs and higher profit margins.

STRONG AND GROWING CASH FLOWS WITH HIGH RETURN POTENTIAL

The cash flows GCP generates from its current portfolio are growing. GCP's subsequent active management focuses on increasing initial cash flows through increasing rents, decreasing vacancy levels as well as maintaining strict cost discipline. In addition to its existing portfolio of properties, the Group is expanding through the acquisition of additional properties which it will seek to reposition and create significant value.

CASH FLOW FROM OPERATIONS



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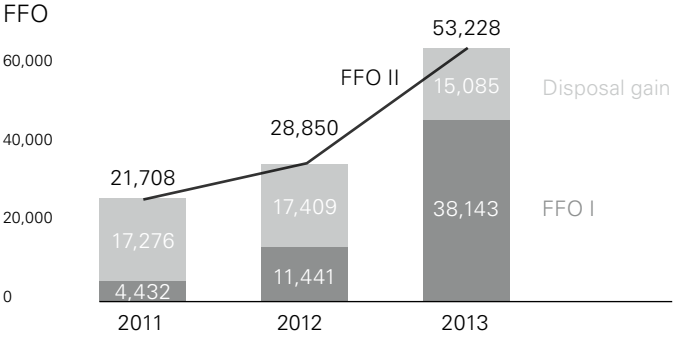
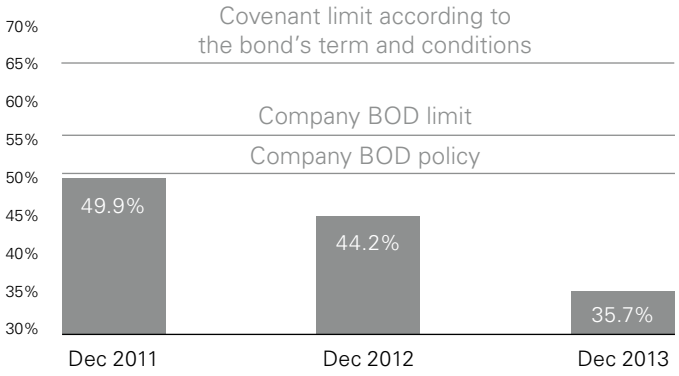


KEY STRENGTHS

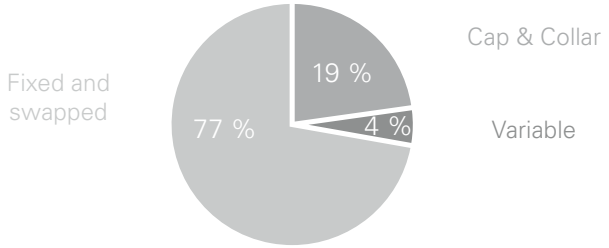
CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

With a high financial flexibility of Euro 167 million in cash and traded securities as of December 2013 and additional Euro 150 million raised via the issue of convertible bonds in February 2014, GCP has a substantial amount of liquid assets, which on one hand enables it to pursue attractive deals, and on the other to provide sufficient head room and comfort for the debt holders. GCP's disciplined approach is also reflected in its conservative capital structure which is characterized by long term maturities, hedged interest rate and low LTV of 35.7% as of December 31, 2013. The Company's internal target is to maintain a LTV of below 50% and set itself a limit at 55%.

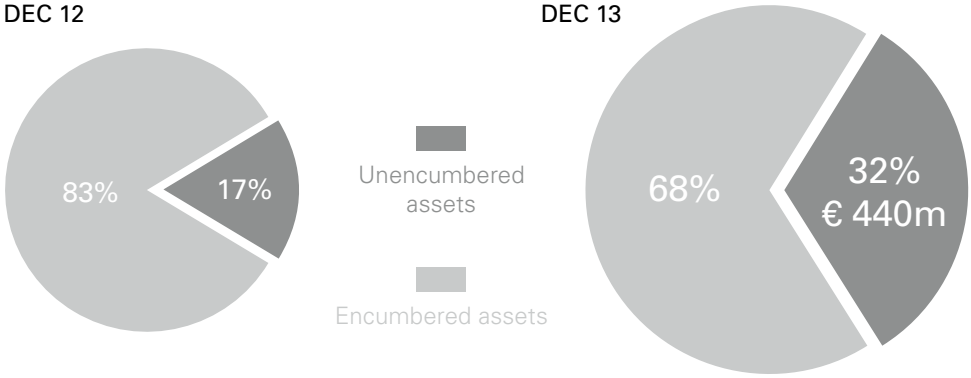
LOAN TO VALUE



As of December 31, 2013, the bank loans are spread over 27 separate loans from 12 different financial institutions that are non-recourse and have no cross collateral or cross default provisions. The senior debt schedule has maturities ranging up to 13 years with an average maturity of 6 years, and no material maturities until 2017. The weighted average interest rate is approx. 3.1%. As of February 2014, including the recent convertible bond issuance, the Company's debt is hedged by more than 95%.



Long maturities offer the Company to focus on core business without the pressure to refinance and exit from projects pre-maturely. The considerable portion of GCP's unencumbered assets gives the Company further financial flexibility. As of December 31, 2013 approx. Euro 440 million of the held assets are free of lien which accounts for 32% of the total portfolio.



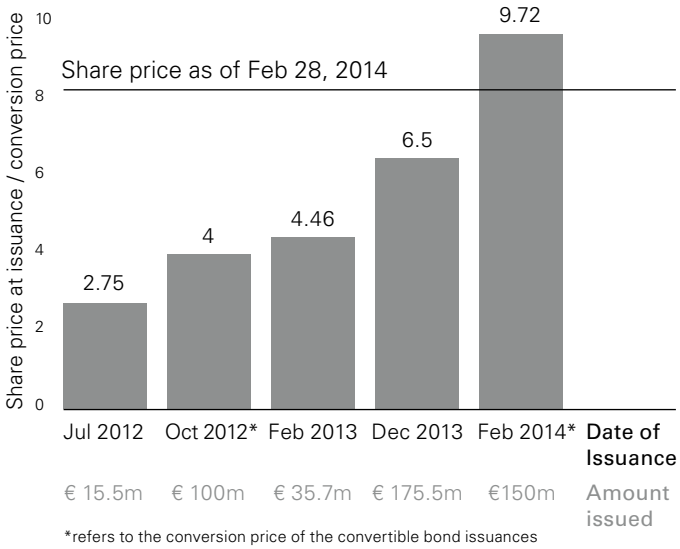
STENGTHENING THE CAPITAL STRUCTURE

In addition to bank loans GCP successfully accessed the capital markets in the last years. In 2013 the Company raised share capital twice at the aggregate gross amount of over Euro 211 million.
At the beginning of December 2013 Grand City Properties increased its share capital by Euro 2.7 million through an issue of 27 million new shares for the gross amount of Euro 175.5 million with J.P. Morgan and Berenberg as bookrunners. On February 19, 2013, the Company issued 8 million new shares for the gross amount of Euro 35.7 million. The new shares were all successfully placed with leading international institutional investors by way of private placement.

Besides capital increases GCP has also proven its ability to raise debt in the capital market and successfully raised Euro 450 million in the last 1.5 years.
In October 2012 the Company has issued a Euro 100 million convertible bond due in 2017 which was completely converted within one year.
In June and July 2013 GCP issued straight bonds with a par value of Euro 200 million. The Series B bonds bear a 6.25% coupon rate and are due in June 2020.
On February 24, 2014, Grand City Properties successfully placed an additional Euro 150 million convertible bond. The Series C bonds bear a coupon rate of 1.50% with redemption at 106.65% of the principal and maturing after 5 years.

Due to the capital increases and the bond conversions, the Company's number of shares has increased from 55.5 million as of December 31, 2012 up to 115.425 million shares in December 31, 2013. The Free Float increased after the capital increase in December 2013 to 61.98%. The success of the capital increases and the full conversion of the convertible bond in less than a year reflect the investors' expectations of the Company's performance.

The following illustration shows the value creation to the shareholder in each issuance, where Euro 9.72 per share in February 2014 presents the conversion price of the recent convertible bond issuance.

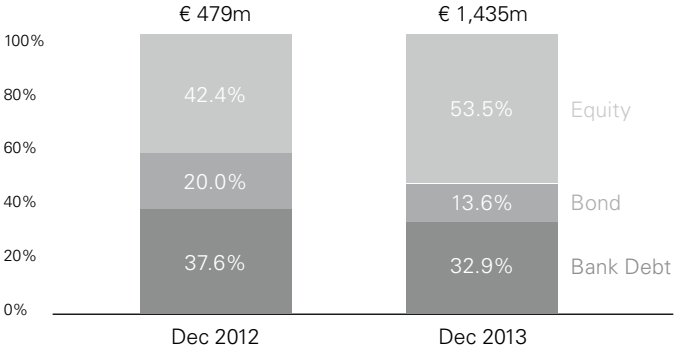


*refers to the conversion price of the convertible bond issuances

The stronger capital structure was also assessed by Standard & Poor's Ratings Services by upgrading GCP's rating within one year since the initial rating from 'BB-' to 'BB+' with a stable outlook on its long-term corporate credit rating and on the Company's bonds.
The rating upgrade is the result of S&P's revised assessment of GCP's improved financial risk profile and a stronger capital structure. S&P provides a stable outlook reflecting their opinion that the Company's steady tenant demand in its main locations should continue to support rental income growth resulting in steady recurring cash flow. Additionally, S&P highlight in their research update the significant portfolio growth GCP has made and the improvement of the assets and tenant diversity.

The Group will seek to maintain adequate liquidity so that it has the necessary flexibility to finance on-going investment without limiting its ability to react quickly to attractive market opportunities.

FINANCING SOURCE MIX



COMPANY STRATEGY

FOCUS ON TURNAROUND OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN REAL ESTATE MARKET

GCP concentrates its activities on German real estate markets that it believes benefit from favorable fundamentals that will last for the foreseeable future. The Group's current portfolio is predominantly focused on North Rhine-Westphalia, Berlin and Bavaria. GCP believes its platform has the right abilities and systems to continue to perform strongly and to further expand in the German market. The Group also believes that there are enough acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

For its acquisitions the Company is applying the following specific criteria

- High cash flow generating assets
- Strong vacancy reduction potential
- Rent level per sqm is below market level (under-rented), strong upside potential
- Acquisition in densely populated areas
- Purchase price below replacement costs and below market values
- Potential to reduce significantly the cost per sqm

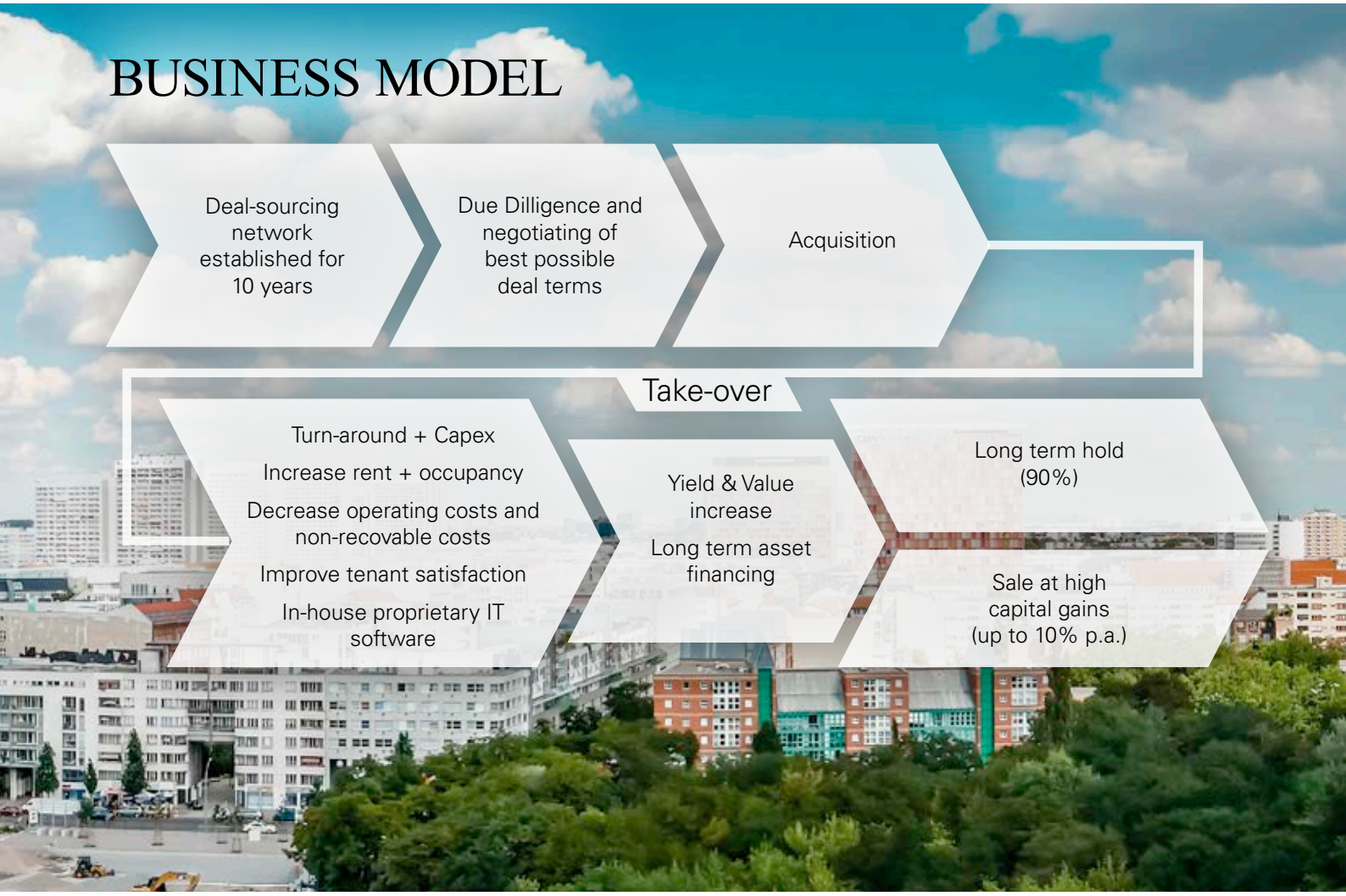
INCREASE CASH FLOWS THROUGH FOCUS ON RENTAL INCOME, INVESTMENT AND STRICT COST DISCIPLINE

GCP seeks to maximize its cash flows from its portfolio through the relentless management of its assets by increasing rent and occupancy. This process is initiated during the due diligence phase of each acquisition, through the development of a specific plan for each asset. Once acquired and the initial development plan realized, GCP then regularly assesses the merits of on-going improvements to its properties to further enhance the yield on its portfolio by increasing the quality and appearance of the properties, increase rents or further increasing occupancy. GCP also applies significant scrutiny to its costs, systematically reviewing ways to increase efficiency and thus enhance cash flows.

MAXIMIZE TENANT SATISFACTION TO REDUCE RE-LETTING RISK AND TENANT CHURN

GCP seeks to provide a high quality service to its tenants as part of its strategy, with the objective to minimize tenant churn across its portfolio. The Group methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. The Group also focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities or improving aged facades.

BUSINESS MODEL



The Company is constantly following market demands and supply in each and every area of operation. Due to current demographics the market demand is focused on single person households. According to the German federal statistics bureau this trend is supposed to increase. The Group's assets reflect that demand and GCP is seeking to fulfill and meet these market trends during the selection of asset acquisition and through optimizing, when needed, the apartment size of existing assets. In return, this provides the Group with flexibility in rent yield management and enables to maximize rent price per square meter.

OPERATIONS SUPPORTED BY ADVANCED AND CENTRALIZED IT SYSTEM

The Group's comprehensive and centralized IT system plays a significant role in enabling GCP to achieve its objectives. The key to this system is the detailed information that it provides not only on its portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, to spot opportunities for rent increases and manage re-letting risks on a daily basis. GCP's IT system is providing management with the detailed information necessary to monitor everything from costs to staff performance.

CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

GCP intends to expand its portfolio via acquisitions. The Group will seek to identify specific opportunities for value creation. The Group constantly evaluates opportunities to identify suitable targets for its existing portfolio and management platform.

MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with a LTV to remain at a target below 50% and a company limit of 55%, low interest rates that are mostly hedged, diversified financing sources and long maturities. A key feature of the Group's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED INCOME STATEMENT DATA*

for the year ended Dec 31	2013 €'000	2012 €'000
Revenue	**169,630**	**60,372**
Capital gains, property revaluations and other income	236,846	98,043
Share profit from investment in equity accounted investees	470	8,384
Property operating expenses	(42,711)	(23,904)(*)
Cost of buildings sold	(54,915)	(18,301)
Administrative & Other expenses	(3,339)	(2,228)(*)
EBITDA	306,175	122,460
Operating profit	305,982	122,366
Net finance expenses	(3,542)	(13,284)
Tax and deferred tax expenses	(36,388)	(16,166)
Profit for the year	**266,052**	**92,916**

*) reclassified to enhance comparability

REVENUE

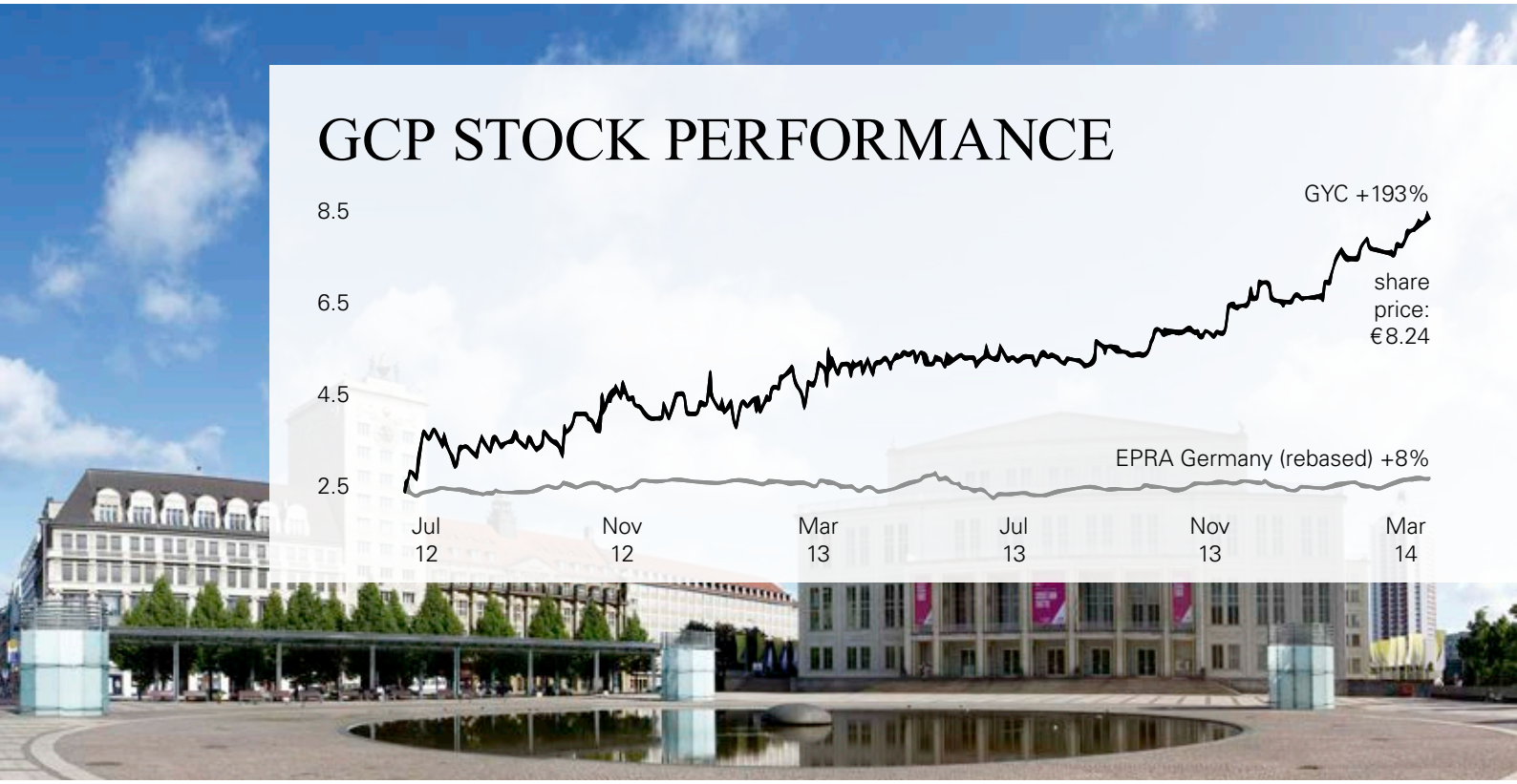
for the year ended Dec 31	2013 €'000	2012 €'000
Rental and operating income	99,580	39,872
Revenue from sales of buildings	70,000	19,989
Other	50	511
Total	**169,630**	**60,372**

Revenue increased in 2013 by 181% to Euro 169.6 million compared to 2012 (Euro 60.4 million) which is the result of an increase in rental and operating income and the revenue from sales of buildings.

The increase in rental and operating income by 150% of Euro 39.9 million in 2012 compared to Euro 99.6 million in 2013 is an effect of an increase in occupancy and rent in the existing properties and due to income from newly acquired properties which were not owned by GCP in 2012. The increase is also a result of the full year operation of properties which were purchased during 2012 and thus could not contribute their full year potential in 2012.

The same effect applies to the properties which were acquired in 2013. The run rate of the rental and operating income of the January 2014 portfolio amounts to Euro 170 million, meaning that if no further properties are being acquired or sold, GCP's January 2014 portfolio expects to generate in 2014 rental operating income of Euro 170 million.

According to GCP's strategy to sell assets on an opportunistic basis where upside potential is realized and attractive prices are being offered the Company sold at the end of 2013 approx. 900 units in Berlin, Dusseldorf and Dresden which were presented as inventory trading properties for gross proceeds at the amount of Euro 70 million. The capital gain over its costs of the sale amounted to Euro 15 million, whereas the cash in over the loan totaled to approx. Euro 20 million.



CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

for the year ended Dec 31	2013 €'000	2012 €'000
Change in fair value in investment properties	189,191	78,335
Profit arising from business combinations (bargain purchase)	47,332	15,521
Capital gains and other income	323	4,187
Total	**236,846**	**98,043**

The property revaluations reflect changes in the fair value of properties, which have been determined based on external valuation reports performed by independent professionally qualified valuators.
The Company recognized as of the end of 2013 capital gains, property revaluation and other income at the amount of Euro 237 million of which Euro 189 million refer to profit revaluations. The profit arising from business combinations, a result arising from bargain purchases, at the amount of Euro 47.3 million in 2013, which is in detail described in note 4 of the consolidated financial statements as of December 31, 2013, refers to negative goodwill recorded through business acquisitions. In case the fair value of the total identifiable net assets exceeds the purchase price of a business acquisition, the excess amount is recognized in the consolidated income statement as a bargain purchase gain.
Capital gains refer to gains where GCP succeeded to sell properties above their book value. Compared to 2012 GCP has not sold any investment property in 2013. In contrast to 2012 the sale of properties GCP sold were held as inventory instead of as investment property and the disposal gain is not reflected in the capital gains but instead in the revenue and the costs of buildings sold.

SHARE OF PROFIT FROM INVESTMENT IN EQUITY ACCOUNTED INVESTEES

for the year ended Dec 31	2013 €'000	2012 €'000
Share profit from investment in equity accounted investees	470	8,384

The decrease in the share of profit from investment in equity accounted investees of 94% from Euro 8.4 million in 2012 to Euro 0.5 million in 2013 results from a decrease of number of units in joint ventures from approx. 3,600 units in December 31, 2012 to approx. 1,000 units as of December 31, 2013. As of December 2013, the joint venture portion is immaterial and account for only 3% of the Company's total portfolio.

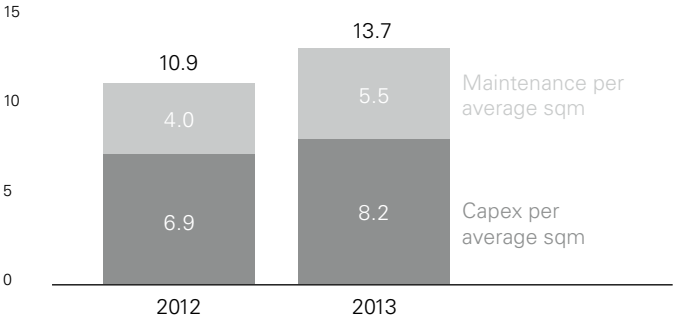
NOTES ON BUSINESS PERFORMANCE

PROPERTY OPERATING EXPENSES for the year ended Dec 31	2013 €'000	2012 €'000
Purchased services	(33,665)	(18,427)
Maintenance and refurbishment	(5,463)	(2,195)
Personel expenses	(1,990)	(997)
Other operating expenses	(1,593)	(2,285)(*)
Total	**(42,711)**	**(23,904)**

The total property operating expenses increase by 79% from Euro 23.9 million in 2012 to Euro 42.7 million in 2013 reflecting the growth of the portfolio.
Purchased services are costs mainly related to rental operating income. This item includes costs that are mainly recovered by the tenants such as heating costs, water and electricity.
The increase in purchased services is in accordance with the Group's growth which is additionally offset by economies of scale leading to an increase in 2013 of 83% compared to 2012 whereas in the same period the portfolio weighted average size in square meters has increased by approx. 84%.
According to the size the Company has grown to personnel expenses increased by nearly 100%. The Company believes that it has reached a critical capacity which will serve the future growth of the Company.

MAINTENANCE AND CAPITAL EXPENDITURES

Due to the Company's effort to reduce vacancy, decrease the churn rate and increase the quality of its properties, GCP has invested Euro 13.7 per average sqm in 2013 totaling to Euro 13.7 million. The total investments per sqm increased in 2013 in comparison to 2012 due to the intensive efforts increasing the assets quality decreasing tenant churn and installing technical devices and systems reducing costs on the long run.



(*) Reclassified

ADMINISTRATIVE & OTHER EXPENSES for the year ended Dec 31	2013 €'000	2012 €'000
Year-end closing, accounting and audit expenses	(1,163)	(528)
Personnel expenses	(933)	-
Legal and professional fees	(428)	(602)(*)
Marketing and other expenses	(622)	(1,004)(*)
Depreciation and amortization	(193)	(94)
Total	**(3,339)**	**(2,228)**

Administrative and other expenses amounted in 2013 to Euro 3.3 million while for 2012 to Euro 2.2 million. The increase reflects the growth of the Company which includes costs related to professional services such as accounting and audit costs, i.e. the costs involved in the implementation of quarterly financial statements. The legal and professional fees have decreased in comparison to 2012, which included one-time expenses related to the issuance of the Company in the Frankfurt stock exchange. The personnel expenses and marketing and other expenses, totaling to Euro 1.6 million in 2013, have increased by 55% due to the growth of the Company and due to accounting reclassification of certain items in comparison to 2012.

NET FINANCE EXPENSES for the year ended Dec 31	2013 €'000	2012 €'000
Finance expenses	(11,320)	(9,016)
Other finance results	7,778	(4,268)
Total	**(3,542)**	**(13,284)**

The net finance expenses amounted in 2013 to Euro 3.5 million compared to Euro 13.3 million in 2012.
The finance expenses have increased by 26% due to the increase of the total debt of the Company. The increase was offset due to the full conversion of the convertible bond (series A) and due to the low cost of debt the Company has achieved in 2013. The decrease in net finance expenses derives by a great extent from the positive result of other financial results compared to a negative result in 2012 resulting in an increase of Euro 11 million. The increase is mainly due to a positive result of derivative financial instrument and of traded securities.

NOTES ON BUSINESS PERFORMANCE

TAX AND DEFERRED TAX EXPENSES for the year ended Dec 31	2013 €'000	2012 €'000
Tax and deferred tax expenses	(36,388)	(16,166)

The tax and deferred tax expenses for all periods have increased mainly from the deferred tax provisions on investment property.

PROFIT FOR THE YEAR for the year ended Dec 31	2013 €'000	2012 €'000
Profit for the year	266,052	92,916
EPS (basic)	2.97	1.97
EPS (diluted)	2.97	1.89
Total weighted basic shares	76,124	41,500
Total weighted average diluted shares	76,124	43,966

Compared to 2012, profit in 2013 increased by 186% to Euro 266 million as a result of a significant increase in revenues, property revaluation and other income which are based on properties turnaround and improved financial results. Accordingly, the EPS of 2013 increased by 51% compared to 2012, considering the EPS was offset by the issuance of approx. 60 million additional shares in 2013, deriving from the two capital increases and the conversion of the bonds.

CASH FLOW for the year ended Dec 31	2013 €'000	2012 €'000
Net Cash provided by operating activities	**61,401**	**34,437**
Net cash used in investing activities	(410,863)	(51,739)
Net cash from financing activities	401,016	90,132
Asset held for sale - Cash	11	(11)
Net increase in cash and cash equivalents	**51,565**	**72,819**

The significant increase in net cash provided by operating activities derived mainly due to the significant increase in rental and operating income, which reflects the growth of the portfolio as well as the increase in rents and decrease in vacancy rates. The increase of net cash used in investing activities is due to investments amounted in 2013 to Euro 411 million compared to Euro 52 million in 2012. The cash was used mainly for acquisition of investment property of Euro 309 million and acquisitions of subsidiaries through business combination in the amount of Euro 72 million. The net cash provided by financing activities of Euro 401 million comes mainly from the successful Euro 200 million bond issuance made in June and July 2013 and due to the Euro 211 million gross proceeds from share capital issuance.

ASSETS	Dec 13 €'000	Dec 12 €'000
Non-current assets	**1,402,495**	**437,039**
Current assets	**248,592**	**117,681**
Assets	**1,651,087**	**554,720**

Total assets increased in 2013 by almost 200% from Euro 555 million in 2012 to Euro 1,651 million in 2013.
This increase of Euro 1,096 million is in line with the Group's growth objectives and is derived mainly from the Euro 961 million increase of investment property, Euro 20 million increase in inventory – trading properties and of the Euro 81 million increase in cash and traded securities.

LIABILITIES	Dec 13 €'000	Dec 12 €'000
Loans and borrowings	461,753	171,752
Bonds	194,676	95,920
Deferred tax liabilities	80,169	29,329
Other liabilities	35,287	19,630
Current liabilities	111,277	35,146
Liabilities	**883,162**	**351,777**

GCP financed its acquisitions in 2013 mainly through the issuance of the Series B straight bonds, the capital issuances and bank debt. The mix of these 3 sources along with the Group's profitability results in a healthy and conservative debt structure. During 2013 the loans and borrowings increased by Euro 290 million, the convertible bonds were fully converted into equity and additional Euro 200 million straight bonds were placed. For its deferred taxes GCP takes a conservative approach assuming the sale of properties with a full tax effect as asset deal. The Company holds additionally liquid assets at the amount of Euro 167 million to finance its current pipeline and provide sufficient head room and comfort for the debt holders resulting in a net debt Euro 500 million in 2013.
Additionally in February 2014, the Company increased the cash level by Euro 150 million through a convertible bond issuance.

	Dec 13 €'000	Dec 12 €'000
Total bank debt and bonds	666,992	275,631
Cash and cash equivalents, traded securities	166,800	80,977
Total net debt	**500,192**	**194,654**

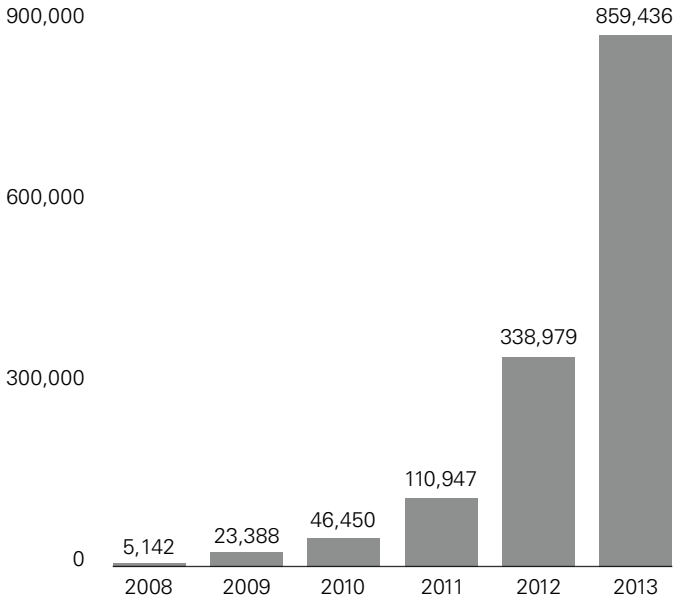
NOTES ON BUSINESS PERFORMANCE

EPRA NAV

	Dec 13 €'000	Dec 12 €'000	Dec 11 €'000
Total Equity *)	767,925	202,943	89,231
Fair Value measurements of derivative financial instruments	13,832	12,599	8,823
Net Deferred Tax	77,678	27,517	12,893
	859,435	**243,060**	**110,947**
Convertible bond	-	95,920	-
EPRA NAV	**859,436**	**338,979**	**110,947**

*) including non-controlling interests

According to the definition of net asset value recommended by the European Public Real Estate Association ("EPRA NAV") the EPRA NAV of the Company amounted in 2013 to Euro 859 million compared to Euro 339 million in 2012. The 154% increase is mainly due to the profit of Euro 266 million and the capital increase of Euro 211 million.



FFO (FUNDS FROM OPERATION)

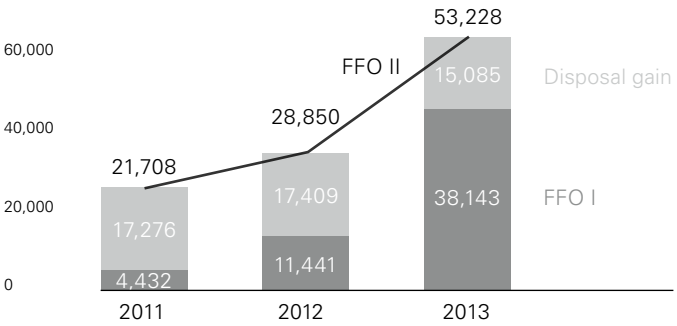
for the year ended Dec 31	2013 €'000	2012 €'000
EBITDA	306,175	122,460
Capital gains, property revaluations and other income	(236,846)	(98,043)
Result on disposal of Inventories - trading properties	(15,085)	(1,688)
Adjusted EBITDA	**54,244**	**22,729**
Finance Expense	(11,320)	(9,016)
Tax	(4,780)	(2,272)
FFO	**38,144**	**11,441**
FFO per share	**0.50**	**0.26**

FFO resulted in 2013 to Euro 38.1 million, reflecting an increase of 233% compared to 2012. The result reflects among others the operational growth and the successful turnaround of properties and a healthy mix between the stabilized properties to the properties in the turnaround stage.

for the year ended Dec 31	2013 €'000	2012 €'000
FFO	38,144	11,441
Result on disposal of investment property *)	15,085	17,409
FFO II	**53,229**	**28,850**
FFO II per share	**0.70**	**0.66**

*) the excess amount of the sale price to the cost price of the properties

FFO II resulted in 2013 to Euro 53.2 million due to a sell of buildings at the end of 2013, reflecting an increase of 85% compared to 2012 due to the increased FFO I.

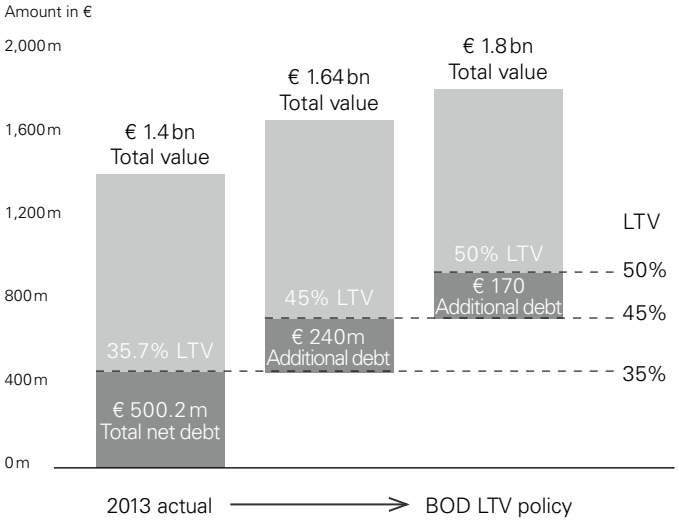


NOTES ON BUSINESS PERFORMANCE

LOAN-TO-VALUE

The loan-to-value ("LTV") as of December 31, 2013 of 35.7% demonstrates GCP's conservative approach on financial leverage. The Group's LTV decreased substantially in the last years from 49.9% in December 31, 2011 and further decreased significantly from 44.2% in December 31, 2012.
LTV is the ratio of the sum of the bonds, loan and borrowings, liabilities held for sale and other loans, deducted by cash and traded securities, divided by the sum of investment properties (including advanced payments), assets held for sale, investments in equity accounted investees and inventories -trading properties.

The Company's internal target is to maintain a LTV target of 50% and set itself a limit at 55%. The current LTV of 35.7% provides financial headroom to raise an additional debt and acquire assets of more than Euro 400 million to reach the conservative Board of Directors company policy of 50%.



DISCLAIMER

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors,

Luxembourg, 17 March 2014

Simone Runge-Brandner
Director

Refael Zamir
Director

Daniel Malkin
Director

To the Shareholders of
Grand City Properties S.A.
6 Boulevard Pierre Dupong
L-1430 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Grand City Properties S.A., which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Grand City Properties S.A. as of December 31, 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, March 17, 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Alison Macleod

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
		2013	2012
	Note	€'000	€'000
Revenue	**5**	**169,630**	**60,372**
Capital gains, property revaluations and other income	6	236,846	98,043
Share of profit from investments in equity accounted investees	16	470	8,384
Property operating expenses	7	(42,711)	(*) (23,904)
Cost of buildings sold	5	(54,914)	(18,301)
Administrative & other expenses	8	(3,339)	(*) (2,228)
Operating profit		**305,982**	**122,366**
Finance expenses	9a	(11,320)	(9,016)
Other finance results	9b	7,778	(4,268)
Net finance expenses		(3,542)	(13,284)
Profit before tax		**302,440**	**109,082**
Tax and deferred tax expenses	10	(36,388)	(16,166)
Profit for the year		**266,052**	**92,916**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**266,052**	**92,916**
Profit attributable to:			
Owners of the Company		**226,275**	**81,831**
Non-controlling interests		**39,777**	**11,085**
Profit for the year		**266,052**	**92,916**
Net earnings per share attributable to the owners of the Company:		€	€
Basic earnings per share	12	**2.97**	**1.97**
Diluted earnings per share	12	**2.97**	**1.89**

(*) Reclassified see note 2(a)

The notes on pages 30 to 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
ASSETS	Note	2013 €'000	2012 €'000
Equipment and intangible assets	14	4,383	55
Investment property	15	1,368,281	407,086
Advanced payments for investment property		7,169	(*) 2,422
Equity accounted investees	16	7,354	20,162
Deferred tax assets	10	2,491	1,812
Other long term assets	13	12,817	(*) 5,502
Non-current assets		**1,402,495**	**437,039**
Cash and cash equivalents		132,542	80,977
Traded securities at fair value through profit and loss	11	34,258	4,875
Inventories - trading properties	19	19,949	-
Trade and other receivables	18	61,843	21,108
Assets held for sale	26	-	10,721
Current assets		**248,592**	**117,681**
Total assets		**1,651,087**	**554,720**

(*) Reclassified see note 13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at December 31,	
		2013	2012
	Note	€'000	€'000
EQUITY			
Share capital	20	11,543	5,550
Other reserves		14,211	14,345
Share premium		305,029	13,391
Retained earnings		374,141	150,972
Equity attributable to owners of the Company		**704,924**	**184,258**
Non-controlling interests		63,001	18,685
Total equity		**767,925**	**202,943**
LIABILITIES			
Loans and borrowings	21	461,753	171,752
Convertible bond	21	-	95,920
Series B bond	21	194,676	-
Derivative financial instruments	17	13,832	12,599
Deferred tax liabilities	10	80,169	29,329
Other long term liabilities	23	21,455	7,031
Non-current liabilities		**771,885**	**316,631**
Current portion of long term loans	21	6,986	4,249
Other bank loan	21	3,577	-
Trade and other payables	22	92,357	21,822
Accrued interest related to bonds		1,005	1,804
Tax payable		3,298	(*) 739
Provisions for other liabilities and charges	24	4,054	(*) 1,550
Liabilities classified as held for sale	26	-	4,982
Current liabilities		**111,277**	**35,146**
Total liabilities		**883,162**	**351,777**
Total equity and liabilities		**1,651,087**	**554,720**

(*) Reclassified see note 2(a) and note 24

The Board of Directors of Grand City Properties S.A. authorized these consolidated financial statements to be issued on March 17, 2014



Simone Runge-Brandner
Director

Refael Zamir
Director

Daniel Malkin
Director

The notes on pages 30 to 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company							
	Share capital €'000	Share premium €'000	Equity portion of convertible bond €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at January 1, 2012	**500**	**-**	**-**	**14,211**	**69,141**	**83,852**	**5,379**	**89,231**
Profit for the year	-	-	-	-	81,831	81,831	11,085	92,916
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	81,831	81,831	11,085	92,916
Issuance of ordinary share capital	5,050	(*) 13,391	-	-	-	18,441	-	18,441
Equity portion of convertible bond	-	-	134	-	-	134	-	134
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	2,221	2,221
Balance as at December 31, 2012	**5,550**	**13,391**	**134**	**14,211**	**150,972**	**184,258**	**18,685**	**202,943**
Profit for the year	-	-	-	-	226,275	226,275	39,777	266,052
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	226,275	226,275	39,777	266,052
Issuance of ordinary share capital	3,500	(**) 198,046	-	-	-	201,546	-	201,546
Equity portion of convertible bond	-	-	(134)	-	-	(134)	-	(134)
Issuance of shares related to conversion of convertible bond	2,493	93,592	-	-	-	96,085	-	96,085
Transactions with non-controlling interests	-	-	-	-	(3,106)	(3,106)	(12,717)	(15,823)
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	17,256	17,256
Balance as at December 31, 2013	**11,543**	**305,029**	**-**	**14,211**	**374,141**	**704,924**	**63,001**	**767,925**

(*) Net from issuance expenses in amount of euro 1,184 thousand
(**) Net from issuance expenses in amount of euro 9,554 thousand

The notes on pages 30 to 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31,	
CASH FLOWS FROM OPERATING ACTIVITIES	Note	2013 €'000	2012 €'000
Profit for the year		266,052	92,916
Adjustments for the profit:			
Depreciation and amortization	14	193	94
Share of profit from investments in equity accounted investees	16	(470)	(8,384)
Profit from business combination, capital gain and other income	6	(47,655)	(19,677)
Change in fair value of investment property	15	(189,191)	(78,335)
Finance expense, net	9	3,542	13,758
Tax and deferred tax expenses	10	36,388	16,166
		68,859	16,538
Changes in:			
Inventories- trading properties		-	18,630
Other long term assets		(4,416)	-
Trade and other receivables		(9,753)	(6,756)
Trade and other payables		7,463	7,958
Provisions for other liabilities and charges		4,028	431
		66,181	36,801
Taxes paid		(4,780)	(2,364)
Net cash provided by operating activities		**61,401**	**34,437**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets, net	14	(975)	(22)
Investments and acquisitions of investment property	15	(309,468)	(48,365)
Loan granted to investments in equity accounted investees		-	(3,432)
Acquisition of subsidiaries, net of cash acquired	4	(72,350)	(10,700)
Investment in trade securities and other financial assets		(28,070)	(2,593)
Proceeds from sale of investments		-	13,373
Net cash used in investing activities		**(410,863)**	**(51,739)**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		For the year ended December 31,	
CASH FLOWS FROM FINANCING ACTIVITIES	Note	2013 €'000	2012 €'000
Proceeds from issuance of ordinary shares, net	20	201,546	18,441
Amortizations of loans from financial institutions		(5,202)	(*) (2,979)
Repayment of loans from financial institutions		-	(*) (24,424)
Repayment of loans from shareholders and related companies		-	(19,357)
Expenses related to redeemed convertible bonds		(4,273)	-
Proceeds from borrowings	21	30,795	30,985
Proceeds from bonds, net	21	194,324	96,054
Transactions with non-controlling interests		(3,300)	-
Interest and other financial expenses paid		(12,874)	(*) (8,588)
Net cash provided by financing activities		**401,016**	**90,132**
Assets held for sale – cash		11	(11)
Net increase in cash and cash equivalents		**51,565**	**72,819**
Cash and cash equivalents at January 1		80,977	8,158
Cash and cash equivalents at December 31		**132,542**	**80,977**

(*) Reclassified see note 2(a)

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

1. GENERAL

A. INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. (''the Company'') was incorporated in Luxembourg on December 16, 2011 as a private company with limited liability. Its registered office is at 6 boulevard Pierre Dupong, L - 1430 Luxembourg.

The consolidated financial statements for the year ended December 31, 2013 consist of the financial statements of the Company and its subsidiaries (''the Group'').

The Group's vision is buying, redeveloping, turning around and optimizing real estate properties in Germany. As of December 31, 2013 the Group`s portfolio includes approximately 26,000 units over 2.1 million sqm mainly in Berlin, North Rhine-Westphalia, Nuremberg, Dresden and Mannheim.

B. RESTRUCTURING

As of January 1, 2012 the Company received from its shareholders the control of, rights to and interests in 94.8% of the shares of GRAND CITY PROPERTY LTD. (Formerly: ADMINOND TRADING & INVESTMENTS LTD.) a private Company limited by shares and incorporated under the laws of Cyprus, hereinafter ("Grand City Ltd") as part of a group restructuring under common control. As of this date Grand City Ltd. owned approximately 5,000 residential and commercial units in Germany through its subsidiaries and joint ventures.

C. CAPITAL AND BONDS INCREASES

On April 12, 2012, the Company increased its share capital to euro 5,000,000 (50,000,000 shares of euro 0.10 per share).

On July 19, 2012, the Company received gross proceeds of euro 15.1 million from a capital increase from a cash contribution. A total of 5.5 million new shares were placed at an issue price of euro 2.75 per share as part of an international private placement to institutional investors.

On October 15, 2012, the Company successfully completed the placement of convertible bonds convertible into ordinary shares of the Company ("convertible bonds 2012-2017") for an aggregate principal at the amount of euro 100 million (see note 21B).

On February 19, 2013, the Company received gross proceeds of euro 35.7 million from a second capital increase from a cash contribution. A total of 8 million new shares were placed at an issue price of euro 4.46 per share as part of an international private placement to institutional investors.

On June 3, 2013, the Company successfully raised euro 100 million of Series B bonds, unsubordinated straight bonds. On July 24, 2013 the Company successfully completed the increase of its Series B Bond by adding euro 100 million bonds to the existing Series B bond as part of a public placement (see note 21C). Until September 30, 2013, a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. According to the convertible bond terms, 24,925 million shares were issued. In October 2013 the Company has redeemed the remainder of the convertible bonds according to the bonds' terms. On December 4, 2013, the Company received gross proceeds of euro 175.5 million from a capital increase from a cash contribution. A total of 27 million new shares were placed at an issue price of euro 6.5 per share as part of an international private placement to institutional investors. After the reporting period, the Company successfully completed the placement of euro 150 million convertible bonds convertible into ordinary shares of the Company (see note 31).

D. LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012, the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. The Company has registered 50,000,000 ordinary shares with a par value of euro 0.10 per share.

E. GROUP RATING

During February 2014, Standard & Poor's Ratings Services ("S&P") raised the Company's rating from 'BB' to 'BB+' on its long term corporate credit rating and on the Company's bonds.

F. DEFINITIONS

In these financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees.
Subsidiaries	Companies that are controlled by the Company (as defined in IAS 27) and whose financial statements are consolidated with those of the Company.
Associates	Companies over which the Company has significant influence (as defined in IAS 27) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company at equity.
Investees	Subsidiaries, jointly controlled entities and associates.
Related parties	As defined in IAS 24.

2. BASIS OF PREPARATION

A. STATEMENT OF COMPLIANCE

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

Certain balance sheet, profit and loss and cash flow items related to the year ended December 31, 2012 have been reclassified to enhance comparability with 2013 figures and to present better the Company`s results. The following items were presented on the balance sheet, profit and loss and cash flows statements as of December 31, 2012 and were reclassified in 2013:

- Refurbishment and maintenance at the amount of euro 2.2 million were reclassified from the profit and loss statement into property operating expenses. This amount is disclosed in detail in Note 7.
- An amount of euro 2.285 million were reclassified from Administrative and other expenses into Property operating expenses to enhance comparability and to better present the operating.
- Advanced payment to acquire investment property at the amount of euro 2.422 million as of December 31, 2012 were reclassified from Other long term assets into a separate line on the balance sheet. As a result, the other long term assets were reduced to euro 5.502 million.
- Tax provisions at the amount of euro 739 thousands as of December 31, 2012 were reclassified from Provisions for other liabilities and charges into a separate line on the Balance sheet. The line Provisions for other liabilities and charges was adjusted accordingly.
- Also the Company reclassified the cash flows in order to present the current amortization of the loans from financial institutions separate from the repayment of loans from financial institutions.

The consolidated financial statements were authorized to be issued by the Board of Directors on March 17, 2014

B. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Traded securities at fair value through profit or loss;
- Investment properties are measured at fair value;
- Assets and liabilities classified as held for sale;
- Investments in equity accounted investees;
- Derivative financial instruments.

C. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

- FAIR VALUE OF INVESTMENT PROPERTY
  The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in consolidated statement of comprehensive income. The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.
- IMPAIRMENT OF INVESTMENTS IN ASSOCIATES
  The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.
- TAX AND DEFERRED TAX EXPENSES
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (CONTINUED)

- IMPAIRMENT OF INTANGIBLE ASSET
  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.
- IMPAIRMENT OF GOODWILL
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.
- LEGAL CLAIMS
  In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.
- PROVISIONS
  Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.
- FAIR VALUE HIERARCHY
  Please see note 27(v).

D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, rounded to the nearest thousand (euro '000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company Grand City Properties S.A. and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

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

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts 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 recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement. Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

B. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. 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 the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.
The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.
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 (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. INVESTMENTS IN ASSOCIATES AND EQUITY - ACCOUNTED INVESTEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted invetees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statements and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

D. REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- RENTAL AND OPERATING INCOME
  Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease. Rental operating income also includes service charges and payments for utilities if the costs and the amount of the income can be reliably determined.
- SALE OF BUILDINGS
  Revenue from the sale of buildings in the course of ordinary activities is measured as the fair value of the consideration received or receivable. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the buildings can be reliably estimated.
- OTHER
  Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

E. FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Finance expenses comprise interest expense on loans and borrowings, bonds and loans from related companies. Interest income and expenses are recognized as they accrue in statement of comprehensive income, using the effective interest method.

F. OTHER FINANCE EXPENSES

Other finance expenses represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing costs, loan arrangement fees and one time payments.

G. DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

I. DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

German property taxation includes taxes on the holding of real estate property and construction.
A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

J. EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.
Depreciation is recognized in profit or loss on the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	10-50

Depreciation methods, useful lives and residual values are reassessed at the reporting date.
Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated income statement.
The intangible assets of the Group consists of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

K. DEFERRED INCOME

Deferred income represents income which relates to future periods.

i. PREPAYMENTS

Payments received in advance on development contracts for which no revenue has been recognized yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

ii. PREPAID EXPENSES

Expenses prepaid by the Company which are e.g. recognized throughout a period or prepayments of the Company for services that remain incomplete as of the statement's date.

iii. TENANCY DEPOSITS

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

L. INVESTMENT PROPERTIES

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.
Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise. Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. ASSETS HELD FOR SALE

Non-current assets or disposal groups, comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non controlling interest in its former subsidiary after the sale.

N. FINANCIAL INSTRUMENTS

1. NON-DERIVATIVE FINANCIAL ASSETS

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

a. TRADED SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Traded securities are classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

b. LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

c. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

2. NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated income statement.

6. BORROWINGS

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

7. TRADE PAYABLES

Trade payables are initially measured at fair value.

O. DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets

(ii) FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

P. IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Q. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

S. OPERATING SEGMENTS

The Group meets the definition of operating in one operating segment. An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

T. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period (see note 2a).

U. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

V. LEASES

i. LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equals to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s)

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

W. TRADING PROPERTIES (INVENTORIES)

Inventories are trading properties acquired with the clear intention that they are to be sold in the ordinary course of business. Trading properties considered as inventories are shown at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Trading properties are purchased and sold on a portfolio basis. Each separately identifiable portfolio of trading properties is held by a Group subsidiary entity established and/or acquired for the purpose of holding the respective trading property portfolio. Trading properties are recognized in the balance sheet only when full control is obtained. Trading properties are de-recognized in the consolidated financial statements only when full control is transferred outside of the Group. Cost of trading properties is determined on the basis of specific identification of the individual costs of the trading property including acquisition costs such as transfer taxes, legal and due diligence fees.

X. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) IFRS 9 FINANCIAL INSTRUMENTS (2010), IFRS 9 FINANCIAL INSTRUMENTS (2009)
IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

(II) IAS 28, INVESTMENT IN ASSOCIATES AND JOINT VENTURES (AS REVISED IN 2011)
As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group will apply IAS 28 (revised 2011) prospectively from January 1, 2014.

(III) IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS
IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group will apply IFRS 10 retrospectively from January 1, 2014.

(IV) IFRS 11, JOINT ARRANGEMENTS
IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities -Non-monetary Contributions by Venturers. This standard provides for a more consistent reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group will apply IFRS 11 retrospectively from January 1, 2014.

(V) IFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES
IFRS 12 includes all of the disclosure requirements that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint ventures, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group will apply IFRS 12 retrospectively from January 1, 2014.

(VI) AMENDMENTS TO IAS 32 – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (JANUARY 1, 2014)

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

A. IMMONEN GROUP

On June 30, 2013, the Group obtained control of four KG entities (partnerships) (hereinafter- Immonen Group), which hold real estate properties in Germany by acquiring 51 percent of the shares, voting interests and shareholders loans for the amount of euro 2,532 thousand net of cash acquired. As a result of the purchase price allocation, the Company allocated an amount of euro 389 thousand as goodwill.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Equipment and intangible assets	5
Investment properties	5,191
Trade and other receivable	86
Other long term assets	183
Deferred tax liabilities	(6)
Trade and other payable	(646)
Provisions for other liabilities and charges	(16)
Other long term liabilities	(2,654)
Total identifiable net assets	2,143
Cash paid regarding acquisition of subsidiary, net of cash acquired	(2,532)
Equipment and intangible assets – Goodwill	389

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 383 thousand, and the Group's net profit would have increased by euro 75 thousand.

B. MAGNUM CTI GMBH

On June 30, 2013, the Group obtained control of Magnum CTI GmbH (hereinafter- Magnum) a German company, which holds real estate property in Berlin, by acquiring 94 percent of the shares, voting interests and shareholder loans for the amount of euro 7,590 thousand, net of cash acquired. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,202 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 143 thousand.

Identifiable assets and liabilities acquired for the date of the transaction are as follows:

	€'000
Investment properties	10,530
Trade and other receivable	116
Deferred tax liabilities	(588)
Trade and other payable	(91)
Provisions for other liabilities and charges	(32)
Total identifiable net assets	9,935
Non-controlling interests arising from initial consolidation	(143)
Cash paid regarding acquisition of subsidiary, net of cash acquired	(7,590)
Profit arising from business combination (bargain purchase)	(2,202)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue's would have increased by euro 416 thousand, and the Group's net profit would have increased by euro 59 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

C. TH ZWEI TERRA GMBH AND TH 407 TERRA GMBH

On January 1, 2013, the Group obtained 56 percent of the voting rights in TH Zwei Terra GmbH and TH 407 Terra GmbH. As a result, the Group consolidates the financial results of these two companies starting from this date. From the date in which the Group has obtained control, until the end of the year, the Group recorded revenue and profit in amount of euro 9,464 thousand and euro 6,407 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment properties	70,193
Trade and other receivable	4,202
Equity-accounted investees	(5,685)
Other long term assets	1,117
Loans and borrowings	(58,951)
Deferred tax liabilities	(2,695)
Trade and other payable	(5,207)
Provisions for other liabilities and charges	(97)
Other long term liabilities	(102)
Total identifiable net assets	2,775
Non-controlling interests arising from initial consolidation	(5,574)
Cash Received from initial consolidation	2,799

D. TS 26 BERLIN GRUNEWALD GMBH & CO. KG

On June 30, 2013, the Group obtained control of TS 26 Berlin Grunewald GmbH & Co KG (hereinafter- TS 26), a German GmbH & Co KG entity which holds real estate property in Berlin by acquiring 94 percent of the shares, voting interests and shareholder loans, for the amount of euro 6,775 thousand net of cash acquired. As a result of the business combination the Group recorded profit arising from business combination (due to a bargain purchase) of euro 3,547 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment properties	10,900
Trade and other receivable	99
Other long term assets	387
Deferred tax liabilities	(747)
Trade and other payable	(78)
Other long term liabilities	(239)
Total identifiable net assets	10,322
Cash paid regarding acquisition of subsidiary, net of cash acquired	(6,775)
Profit arising from business combination (bargain purchase)	(3,547)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have increased by euro 1,485 thousand, and the Group's net profit would have increased by euro 573 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

E. RESIDENTIAL KÖLN GRUNDSTÜCKS GMBH

On January 1, 2013 the Group obtained control on Residential Köln Grundstücks GmbH (hereinafter- Köln). As a result, the Group consolidates the financial results of Köln. From the date in which the Group has obtained control, until the end of the year, the Group recorded revenue and profit in amount of euro 3,396 thousand and euro 1,920 thousand, respectively.
Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment properties	31,200
Trade and other receivable	1,501
Equity-accounted investees	(8,421)
Deferred tax assets	237
Other long term assets	87
Loans and borrowings	(14,094)
Deferred tax liabilities	(2,449)
Trade and other payable	(1,673)
Provisions for other liabilities and charges	(76)
Derivative financial instruments	(1,554)
Other long term liabilities	(448)
Total identifiable net assets	4,310
Non-controlling interests arising from initial consolidation	(6,353)
Cash received regarding acquisition of subsidiaries, net of cash acquired	300
Equipment and intangible assets – Goodwill	1,743

During the reporting period the Group acquired additional 18.75% from the share capital of Köln for amount of euro 3,300 thousand. As of December 31, 2013, the Group owns 68.75% of the share capital of Köln.

F. ALEMORY 42 GRUNDSTÜCKS GMBH AND ALEMORY 45 GRUNDSTÜCKS GMBH (FORMERLY: GRETA 63 VERMÖGENS - VERWALTUNGS GMBH AND GRETA 75 VERMÖGENS - VERWALTUNGS GMBH), RESPECTIVELY.

On July 30, 2013, the Group obtained control on Alemory 42 Grundstücks GmbH and Alemory 42 Grundstücks GmbH, German companies which hold real estate properties in Berlin, by acquiring 94 percent of the shares voting interest. As a result, the Group consolidates the financial results of both companies. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,143 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 165 thousand.
From the date in which the Group has obtained control, until the end of the reporting period the end of the reporting period, the Group recorded revenue and profit in amount of euro 2,247 thousand and euro 1,001 thousand, respectively.
As of the date of the transaction the initial accounting for a business combination was not finalized and was subject to several adjustments, inter alia, working capital level. After adjusting the total identifiable net asset by an amount of euro 3,991 thousand, the identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment properties	52,897
Trade and other receivable	1,838
Deferred tax assets	785
Loans and borrowings	(44,395)
Deferred tax liabilities	(2,083)
Trade and other payable	(1,742)
Provisions for other liabilities and charges	(150)
Derivative financial instruments	(4,963)
Total identifiable net assets	2,187
Non-controlling interests arising from initial consolidation	(165)
Cash received regarding acquisition of subsidiaries, net of cash acquired	121
Profit arising from business combination (bargain purchase)	(2,143)

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

G. MAGNUM CT III GMBH

On July 30, 2013, the Group obtained control on Residential Magnum CT III GmbH (hereinafter- Magnum CT III) a German company which hold real estate properties in Berlin, by acquiring 94 percent of the shares, voting interests. As a result, the Group consolidates the financial results of Magnum CT III. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,663 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 198 thousand. From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and loss in amount of euro 184 thousand and euro 4 thousand, respectively.
As of the date of the transaction the initial accounting for a business combination was not finalized and was subject to several adjustments, inter alia, working capital level. After adjusting the total identifiable net asset in amount by an euro 930 thousand, the Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment properties	4,490
Trade and other receivable	55
Deferred tax liabilities	(439)
Trade and other payable	(1,244)
Provisions for other liabilities and charges	(11)
Total identifiable net assets	2,851
Non-controlling interests arising from initial consolidation	(198)
Cash received regarding acquisition of subsidiaries, net of cash acquired	10
Profit arising from business combination (bargain purchase)	(2,663)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have increased by euro 48 thousand, and the Group's net profit would have increase by euro 565 thousand.

H. ALEMORY 40 GRUNDSTÜCKS GMBH AND ALEMORY 41 GRUNDSTÜCKS GMBH (FORMERLY: A.W X GMBH AND A.W XI GMBH) RESPECTIVELY.

On July 30, 2013, the Group obtained control on Alemory 40 Grundstücks GmbH (hereinafter- Alemory 40) and Alemory 41 Grundstücks GmbH (hereinafter- Alemory 41), German companies which hold real estate properties mainly in Berlin and Dresden by acquiring of 94.8 percent directly in the shares voting interests of Alemory 41 that hold 94 percent in Alemory 41 and addition acquiring of 5.8 percent directly in the shares voting interests of Alemory 40 for the amount of euro 35,201 thousand, net of cash acquired. As a result, the Group consolidates the financial results of Alemory 41. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 18,504 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 3,001 thousand.
From the date of acquisition till the end of the reporting period, the Group recorded revenue and profit in amount of euro 7,428 thousand and euro 930 thousand, respectively.
As of the date of transaction the initial accountings for a business combination was not finalized. From the date of the transaction until the date of the reporting period the Group was required to pay an additional purchase price of about euro 1,341 thousand. The Identifiable assets and liabilities acquired as of the date of transaction are as follows:

	€'000
Equipment	53
Investment properties	90,395
Trade and other receivable	7,882
Inventory- trading properties	15,040
Derivative financial instruments	209
Deferred tax assets	231
Loans and borrowings	(43,890)
Deferred tax liabilities	(6,743)
Trade and other payable	(5,421)
Provisions for other liabilities and charges	(1,050)
Total identifiable net assets	56,706
Non-controlling interests arising from initial consolidation	(3,001)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	(35,201)
Profit arising from business combination (bargain purchase)	(18,504)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have increased by euro 3,840 thousand, and the Group's net profit would have increased by euro 1,567 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

I. ALEMORY 39. GRUNDSTÜCKS GMBH

On August 30, 2013, the Group obtained control on Alemory 39. Grundstücks GmbH (hereinafter- Alemory 39) a German company which holds real estate properties and by acquiring directly and indirectly of approximately 51 percent of the shares voting interests of Alemory 39 for the amount of euro 20,034 thousand net of cash acquired. As a result, the Group consolidates the financial results of Alemory 39. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 5,040 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 74,284 thousand and 14,914 euro thousand, respectively.

As of the date of the transaction the initial accounting for a business combination was not finalized and was subject to several adjustments, inter alia, working capital level. After adjusting the total identifiable net asset by an amount of euro 611 thousand, the identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Equipment	155
Investment properties	94,676
Inventories - apartments for sale	54,896
Trade and other receivables	7,885
Other long term assets	192
Loans and borrowings	(97,540)
Deferred tax liabilities	(3,507)
Trade and other payable	(7,290)
Provisions for other liabilities and charges	(20,481)
Other long term liability	(3,912)
Total identifiable net assets	25,074
Cash paid regarding acquisition of subsidiaries, net of cash acquired	(20,034)
Profit arising from business combination (bargain purchase)	(5,040)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have increased by euro 10,132 thousand, and the Group's net profit would have increased by euro 2,251 thousand.

J. RAINBOW PORTFOLIO

On December 31, 2013, the Group obtained control on three German companies which hold real estate properties (hereinafter- Rainbow portfolio) by acquiring directly of 94 percent of the shares voting interests of two German companies and 94.8 percent of the shares voting interests in the third German company. As a result, the Group consolidates the financial results of the three German companies on December 31, 2013. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 13,233 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 916 thousand.

Identifiable assets and liabilities acquired as of the date of transaction are as follows:

	€'000
Investment properties	44,833
Trade and other receivables	3,825
Other long term assets	480
Other financial assets	31
Loans and borrowings	(31,875)
Trade and other payable	(2,559)
Provisions for other liabilities and charges	(618)
Other long term liability	(480)
Total identifiable net assets	13,637
Non-controlling interests arising from initial consolidation	(916)
Cash received regarding acquisition of subsidiaries, net of cash acquired	512
Profit arising from business combination (bargain purchase)	(13,233)

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have increased by euro 5,650 thousand, and the Group's net profit would have decreased by euro 9,330 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

K. OTHER PURCHASES

In addition to the above mention acquisitions, during the reporting period the Group obtained control of several companies for the total amount of euro 3,960 thousand net of cash acquired. As a result of the purchase price allocation, the Company allocated an amount of euro 796 thousand as equipment and software, euro 80 thousand as Inventories – trading properties, euro 367 thousand as deferred tax assets and euro 233 thousand as Goodwill. The Company recognized negative non-controlling interest at the amount of euro 199 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 773 thousand and euro 5,614 thousand, respectively.

	€'000
Equipment and intangible assets	967
Investment properties	10,627
Trade and other receivable	665
Inventories - trading properties	4,711
Other long term assets	809
Loans and borrowings	(6,043)
Trade and other payable	(3,476)
Other long term liabilities	(4,698)
Others	(34)
Total identifiable net assets	3,528
Non-controlling interests arising from initial consolidation	199
Cash paid regarding acquisition of subsidiaries, net of cash acquired	(3,960)
Equipment and intangible assets - Goodwill	233

During the reporting period, the group has made several transactions with the non-controlling interests. As a result of these transactions, the non-controlling interests were adjusted by euro 12,718 thousand. Any difference between the amount by which the non controlling interests were adjusted and the fair value of the consideration paid or received has been recognized directly in equity attributed to the owners of the Company.

5. REVENUE

	Year ended December 31,	
	2013	2012
	€'000	
Rental and operating income	99,580	39,872
Revenue from sales of buildings (a)	70,000	19,989
Other	50	511
	169,630	60,372

(a) Of which euro 54.9 million (2012: Euro 18.3 Million) refers to cost of building sold (see also note 19a).

6. CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	Year ended December 31	
	2013	2012
	€'000	
Change in fair value in investment properties (see note 15)	189,191	78,335
Profit arising from business combinations (Bargain Purchase) – (see note 4)	47,332	15,521
Capital gains and other income	323	4,187
	236,846	98,043

7. PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2013	2012
	€'000	
Purchased services	(33,665)	(18,427)
Maintenance and refurbishment	(5,463)	(2,195)
Personnel expenses	(1,990)	(997)
Other operating costs	(1,593)	(*) (2,285)
	(42,711)	(23,904)

(*) Reclassified see note 2(a).

8. ADMINISTRATIVE & OTHER EXPENSES

	Year ended December 31	
	2013	2012
	€'000	
Year-end closing, accounting and audit expenses	(1,163)	(528)
Personnel expenses	(933)	-
Legal and professional fees	(428)	(*) (602)
Marketing and other expenses	(622)	(*) (1,004)
Depreciation and amortization	(193)	(94)
	(3,339)	(2,228)

(*) Reclassified see note 2(a).

9. NET FINANCE EXPENSES

	Year ended December 31,	
	2013	2012
a. Finance expenses	€'000	
Finance expenses from credit institutions and third parties, net	(5,827)	(*) (6,593)
Finance expenses from bonds, Net	(5,027)	(1,804)
Other finance expenses	(466)	(619)
	(11,320)	(9,016)
b. Other finance results		
Changes in fair value of derivative and other investments	13,803	(2,802)
Finance related costs	(2,281)	(1,466)
Expenses related to the converted bonds (a)	(3,744)	-
	7,778	(4,268)

(*) Reclassified see note 2(a).

(a) During 2013 the convertible bonds were fully converted to Equity. Therefore the Group does not have an exposure to additional payments in the future.

10. TAXATION

a. TAX RATES APPLICABLE TO THE GROUP

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2012: 28.8%).

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2013, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable. (Aggregated tax rate: 15.825%).

The Cyprus subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies is 12.5% (2012: 10%).

Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30% (2012: 15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013, and 17% for 2014 and thereafter.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liabilities is settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Netherlands subsidiary is subject to taxation under the laws of the Netherlands. The corporation tax rate for Netherlands companies is 25% and 20% for profit before tax above then euro 200 thousands and below euro 200 thousands respectively (2012: the same).

German property taxation includes taxes on the holding of real estate property.

b. TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2013	2012
	€'000	
Corporation tax	(1,546)	(635)
Deferred tax, see also (c) below	(31,608)	(13,894)
Property tax	(3,234)	(1,637)
Charge for the year	(36,388)	(16,166)

c. MOVEMENT IN THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

Deferred tax liabilities

	Fair value gains on investment property	**Deferred taxes – loss carried forward, net**	**Other deferred tax**	**Total**
Balance as at January 1, 2012	15,014	(725)	-	14,289
Charged to:				
Consolidated statement of comprehensive income	11,877	2,978	-	14,855
Deferred tax arising from initial consolidation	4,640	(2,277)	396	2,759
Disposal of deferred tax due to loss of control	(2,290)	844	-	(1,446)
Transfer to liability held for sale	(851)	(277)	-	(1,128)
Balance as at December 31, 2012	**28,390**	**543**	**396**	**29,329**
Charged to:				
Consolidated statement of comprehensive income	31,788	(809)	-	30,979
Deferred tax arising from initial consolidation	19,140	(734)	(396)	18,010
Transfer from liability held for sale (note 26)	851	277	-	1,128
Transfer to deferred tax assets	-	723	-	723
Balance as at December 31, 2013	**80,169**	**-**	**-**	**80,169**

10. TAXATION (CONTINUED)

Deferred tax assets

	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	€'000		
Balance as at January 1, 2012	1,396	-	1,396
Charged to:			
Consolidated statement of comprehensive income	961	-	961
Disposal of deferred tax due to loss of control	(223)	-	(223)
Transfer to liabilities held for sale	(19)	-	(19)
Deferred tax arising from initial consolidation	(303)	-	(303)
Balance as at December 31, 2012	**1,812**	**-**	**1,812**
Balance as at January 1, 2013	1,812	-	1,812
Charged to:			
Consolidated statement of comprehensive income	(629)	-	(629)
Deferred tax arising from initial consolidation	566	-	566
Transfer from deferred tax liabilities	-	723	723
Transfer from liabilities held for sale	19	-	19
Balance as at December 31, 2013	**1,768**	**723**	**2,491**

d. RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended December 31,	
	2013	2012
	€'000	
Profit before tax	302,440	109,082
Statutory tax rate	29.22%	28.8%
Tax computed at the statutory tax rate	88,373	31,416
Decrease in taxes on income resulting from the following factors:		
Group's share of earnings from companies accounted for at equity	(74)	(1,320)
Effect on tax rates in foreign jurisdictions (at 15.825%)	(40,158)	(14,153)
Effect on tax rates in foreign jurisdictions (at 12.5%)	(8,355)	52
Others	(3,398)	171
Tax and deferred tax expenses	36,388	16,166

11. TRADED SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

a. COMPOSITION

	As at December 31,	
	2013	2012
	€'000	
Balance as at January 1	4,875	-
Investment during the year, net	18,107	1,950
Fair value adjustment	11,276	2,925
Balance as at December 31	34,258	4,875

b. FOR HIERARCHY LEVELS USED FOR THE VALUATION OF THESE FINANCIAL ASSETS REFER TO NOTE 27.

12. NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

A. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of December 31, 2013 is based on the profit attributable to ordinary shareholders of euro 226,275 thousand (2012: euro 81,831 thousand), and a weighted average number of ordinary shares outstanding of 76,123,767 (2012: 41,500,000), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)

	Year ended December 31,	
	2013	2012
	€'000	
Profit for the year, attributable to the owners of the Company	226,275	81,831

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

		Year ended December 31,	
	Note	**2013**	2012
Issued ordinary shares at January 1	20	55,500,000	5,000,000
Effect of shares issued in April 2012		-	33,750,000
Effect of shares issued in July 2012		-	2,750,000
Effect of shares issued in February 2013		6,926,027	-
Effect of exercise of convertible bond		11,626,507	-
Effect of shares issued in December 2013		2,071,233	-
Weighted average number of ordinary shares at December 31,		**76,123,767**	**41,500,000**
Basic earnings per share (euro)		**2.97**	**1.97**

B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2013 is based on profit attributable to ordinary shareholders of euro 226,275 thousand (2012: euro 83,116 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 76,123,767 (2012: 43,965,753), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	Year ended December 31,	
	2013	2012
	€'000	
Profit for the year, attributable to the owners of the Company (basic)	226,275	81,831
Interest expense on convertible bonds, net of tax	-	1,285
Profit for the year, attributable to the owners of the Company (diluted)	**226,275**	**83,116**

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

		Year ended December 31,	
	Note	**2013**	2012
Issued ordinary shares on January 1	20	55,500,000	5,000,000
Effect of shares issued in April 2012		-	33,750,000
Effect of shares issued in July 2012		-	2,750,000
Effect of shares issued in February 2013		6,926,027	-
Effect of exercise of convertible bond		11,626,507	2,465,753
Effect of shares issued in December 2013		2,071,233	-
Weighted average number of ordinary shares at December 31,		**76,123,767**	**43,965,753**
Diluted earnings per share		**2.97**	**1.89**

13. OTHER LONG TERM ASSETS

	As at December 31,	
	2013	2012 (*)
	€'000	
Tenancy deposit	5,414	2,986
Investment in financial long term assets	2,578	-
Finance lease asset	2,992	2,516
Loan from associate undertakings (see note 25)	153	-
Other	1,680	-
	12,817	5,502

(*) Reclassified see note 2(a).

14. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	€'000			
Cost				
Balance as at January 1, 2012	79	72	8	159
Additions	22	-	-	22
Balance as at December 31, 2012	101	72	8	181
Balance as at January 1, 2013	101	72	8	181
Additions	975	-	-	975
Equipment and intangible assets arising from initial consolidation	112	2,628	806	3,546
Balance as at December 31, 2013	**1,188**	**2,700**	**814**	**4,702**
Depreciation/Amortization				
Balance as at January 1, 2012	18	8	5	31
Depreciation/Amortization for the year	28	64	3	95
Balance as at December 31, 2012	46	72	8	126
Balance as at January 1, 2013	46	72	8	126
Depreciation/Amortization for the year	193	-	-	193
Balance as at December 31, 2013	**239**	**72**	**8**	**319**
Carrying amounts				
Balance as at December 31, 2013	**949**	**2,628**	**806**	**4,383**
Balance as at December 31, 2012	**55**	**-**	**-**	**55**

15. INVESTMENT PROPERTY

A. COMPOSITION

	As at December 31,	
	2013	2012
	€'000	
Balance as of January 1	407,086	258,116
Acquisitions of investment property during the year	335,752	48,365
Disposals during the year	-	(509)
Investment property arising from initial consolidation	425,932	63,199
Disposal of investment property due to loss of control	-	(30,100)
Transfer from (to) assets held for sale (note 26)	10,320	(10,320)
Fair value adjustment (note 26)	189,191	78,335
Balance as at December 31	1,368,281	407,086

B. MEASUREMENT OF FAIR VALUE

(I) FAIR VALUE HIERARCHY

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 6.25%-7.5%.

All the investment property in the group in total fair value amount of euro 1,368,281 thousand has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

(II) LEVEL 3 FAIR VALUE

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values:

	€'000
Balance as of January 1, 2013	407,086
Acquisitions of investment property during the year	335,752
Addition through business combinations	425,932
Transfer from assets held for sale	10,320
Fair value adjustment	189,191
Balance as at December 31, 2013	1,368,281

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

VALUATION TECHNIQUE

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free period and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

SIGNIFICANT UNOBSERVABLE INPUTS

- Assumed market rental growth weighted average 1.5%;
- Void periods average 2-4 months after the end of each lease;
- Assumed future occupancy rate in the range of 93% to 100%. Actual occupancy rate is 86.3%.
- Risk adjusted discount rates in the range of 6.25%-7.5% (weighted average 6.75%).

INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT

The estimated fair value would increase (decrease if):

- Expected market rental growth is higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower);
- The risk-adjusted discount rate is lower (higher).

16. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

A. COMPOSITION

	As at December 31,	
	2013	2012
	€'000	
Balance as of January 1	20,162	2,397
Additions	-	230
Long term loans and receivables	-	3,331
Disposal of investment in equity accounted investees due to obtain control	(13,278)	-
investment in equity accounted investees arising due to loss of control	-	5,820
Share of profit from associates	470	8,384
Balance as of December 31,	7,354	20,162

B. THE DETAILS OF THE SIGNIFICANT INVESTMENTS ARE AS FOLLOWS:

	As at December 31, 2013			As at December 31, 2012		
Name	**Holding**	**Group share of net assets**	**Group's share of profit**	**Holding**	**Group share of net assets**	**Group's share of profi**
	%			%		
		€'000			€'000	
Residential Essen I Grundstucks GmbH	50%	589	24	50%	565	140
Residential Duisburg Grundstucks GmbH	50%	5,867	417	50%	5,451	2,586
Residential Project Monchengladbach II GmbH	50%	898	29	50%	869	343
Terra Heimbau Zwei Ltd. & Co. KG (see note 4C)		-	-	50%	3,149	2,483
Terra Heimbau 407 Ltd. & Co. KG (see note 4C)		-	-	50%	1,707	565
Residential Koln Grundstucks GmbH (see note 4E)		-	-	50%	8,421	2,267
		7,354	470		20,162	8,384

17. DERIVATIVE FINANCIAL INSTRUMENTS

		As at December 31,	
		2013	2012
	Year of maturity	€'000	
Liabilities			
Non-current portion	2015 - 2022	13,832	12,599
		13,832	12,599

The Group uses interest rate swaps, collars, caps and floors ("hedging instruments") to manage its exposure to interest rate movements on its bank borrowings.
All of the Group's derivatives financial instruments are linked to the bank loans maturity (see note 21A).
The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

18. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2013	2012
	€'000	
Operating costs receivable	36,582	14,996
Rent and other receivables (a)	12,255	2,925
Tenancy deposits	5,414	2,986
Prepaid expenses	1,712	155
Other short term financial assets	11,294	3,032
	67,257	24,094
Non-current portion (see note 13)	5,414	2,986
Current portion	61,843	21,108
	67,257	24,094

(a) Of which euro 7.9 million refers to rent receivables, of which euro 2 million derives from year end acquisitions.

Tenancy deposits mostly include 1-3 months' net rent from the tenants which is paid at the beginning of the lease. The deposits are considered as a security payment by the tenant and the Group can use those funds mainly if the tenant has unpaid debts or causes damages to the property. Past experience shows that the majority of the leases are long term and therefore the deposits are presented as long term assets. The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

19. INVENTORIES – TRADING PROPERTIES

	As at December 31,	
	2013	2012
	€'000	
Inventories - trading properties	19,949	-
	19,949	-

a. In November 2013 the Group has sold approximately 900 units (64 thousand square meters) for gross proceeds at the amount of euro 70 million. The cost of the units were Euro 54.9 million, therefore the Group recorded profit in amount of Euro 15.1 million.

b. During 2013, the Group has signed on sale agreement of 210 units (16 thousand square meters) which were presented as inventory trading properties for gross proceeds at the amount of euro 14.5 million. The terms and conditions for completing these deals have been fulfilled in January 2014.

20. EQUITY

A. SHARE CAPITAL

	As at December 31,			
	2013		2012	
	Number of Shares	€'000	Number of Shares	€'000
Authorized				
Ordinary shares of euro 0.10 each	200,000,000	20,000	200,000,000	20,000
Issued and fully paid				
Balance as of January 1	55,500,000	5,550	5,000,000	500
Issuance of shares on April 12, 2012	-	-	45,000,000	4,500
Issuance of shares on July 19, 2012	-	-	5,500,000	550
Issuance of shares on February 19, 2013	8,000,000	800	-	-
Exercise of convertible bond	24,925,000	2,492.5	-	-
Issuance of shares on December 3, 2013	27,000,000	2,700	-	-
Balance on December 31	115,425,000	11,542.5	55,500,000	5,550

B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 200,000,000 ordinary shares of nominal value of euro 0.10 each.

C. ISSUED CAPITAL

(1) Upon incorporation on December 16, 2011 the Company issued 5,000,000 ordinary shares of euro 0.10 each, at par value, to the subscribers.

(2) On April 12, 2012, the Company made an issuance of 45,000,000 shares of euro 0.10 each at par value. The issue was fully paid up in cash.

(3) On July 19, 2012, the Company received gross proceeds of euro 15.1 million in a capital increase against a contribution in cash. A total of 5.5 million new shares were placed at an issue price of euro 2.75 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.

(4) On October 15, 2012, the Company successfully completed the placement of convertible bonds, which were convertible into ordinary shares of the Company ("convertible bonds 2012-2017"), for an aggregate principal at the amount of euro 100 million.
The bonds have a maturity of five years. The initial conversion price of the bonds was euro 4.00. The bonds bear interest at a rate of 8% per annum calculated by reference to the principal amount and payable semi-annually in arrears on April 15 and October 15 in each year, commencing with the Interest Payment Date falling on April 15, 2013.
Until September 30, 2013, a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. According to the convertible bond terms, 24,925 million shares were issued. The Company has redeemed the remainder of Series B bonds, according to the bonds' terms.

(5) On February 19, 2013 the Company received gross proceeds of euro 35.7 million from a second capital increase against a contribution in cash. A total of 8 million new shares were placed at an issue price of euro 4.46 as part of an international private placement to institutional investors.

(6) On December 3, 2013, the Company received gross proceeds of euro 175.5 million in a capital increase against a contribution in cash. A total of 27 million new shares, with a par-value of EUR 0.10 each, were placed at an issue price of euro 6.5 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.

D. SHARE PREMIUM

The share premium derives directly from the capital increases which were affected since the date of incorporation.

E. OTHER RESERVES

The other reserves were shareholders loan that were converted to equity, therefore the other reserves can be distributed at any time.

21. LOANS AND BORROWINGS

A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31, 2013 €'000	2012 €'000
Long-term liabilities				
Bank loans	3.07%	2015-2027	458,802	165,751
Other loans			2,951	6,001
Total long term loans			**461,753**	**171,752**
Series B bond (C)	6.25%	2020	194,676	-
Convertible bond (B)	8%	2017	-	95,920
Total bonds			**194,676**	**95,920**
Short-term liabilities				
Bank loans	3.07%	2014	6,986	4,249
Other bank loan	5.57%	2014	3,577	-
Total short - term loans			**10,563**	**4,249**
Total loans and borrowings			**666,992**	**271,921**

B. CONVERTIBLE BOND

	As at December 31, 2013 €'000	2012 €'000
Proceeds from issue of convertible bond (1,000 notes at euro 100,000 par value)	-	100,000
Transaction costs	-	(3,946)
Net proceeds	-	96,054
Balance as of January 1	97,724	-
Amount classified as equity (redemption of amount classified as equity)	134	(*) (134)
Expenses for the year	2,500	1,804
Expenses paid related to redeemed convertible bond for the year	(4,273)	-
Conversion of convertible bond to shares	(96,085)	-
Carrying amount of liability at the end of the year	-	97,724
Non-current portion	-	95,920
Current portion	-	1,804
	-	97,724

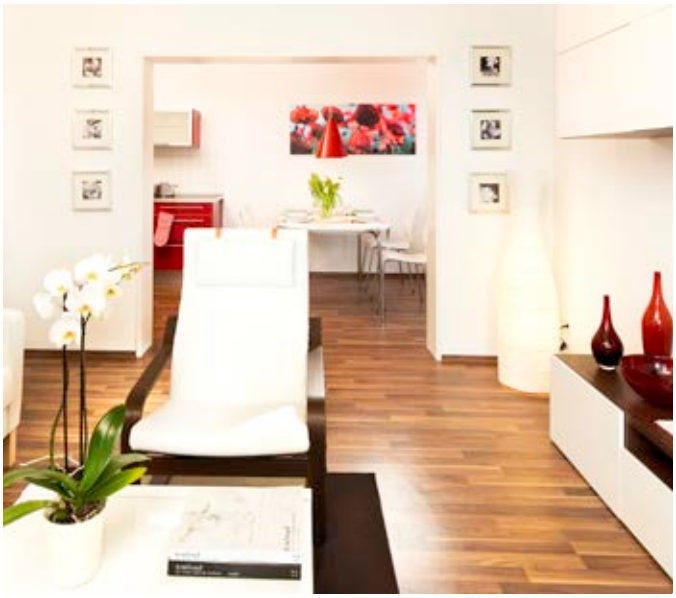
C. BOND SERIES B

On June 3, 2013, the Company placed euro 100 million unsubordinated straight bonds maturing in June 2020 (the "Series B Bond") with a coupon of 6.25% in a private placement. On July 24, 2013, the Company successfully increased the corporate bond issued in June (series B bond) by additional euro 100 million.

Series B bond bear interest at the rate of 6.25% per annum calculated by reference to the principal amount and payable semi-annually in arrears on June 3 and December 3 in each year, commencing with the Interest Payment Date falling on December 3, 2013.

	As at December 31, 2013 €'000	2012 €'000
Proceeds from issue of bond (200,000 notes at euro 1,000 par value)	200,000	-
Transaction costs	(5,676)	-
Net proceeds	194,324	-
Expenses for the year	7,607	-
Expenses related to the series B bonds paid for the year	(6,250)	-
Carrying amount of liability on December 31	195,681	-
Non-current portion	194,676	-
Current portion	1,005	-
	195,681	-

(*) The amount of the convertible bond classified as equity of euro 134 thousand is net of attributable transaction costs of euro 5 thousand and based on annual effective interest rate of 9.02%.



21. LOANS AND BORROWINGS (CONTINUED)

D.
(1) CONDITIONS:
For the conditions of the convertible bonds, see note 20C (3).

(2) Security, negative pledge

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in Grand City Ltd.
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Suisse) S.A., Luxembourg branch;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by Grand City Ltd. with Bank Hapoalim (Suisse) S.A., Luxembourg branch; and
- first-ranking charges, governed by Cypriot law, over each bank account held by Grand City Ltd.

(3) Covenants

- procure that Net Debt shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than twelve (12) months;
- Grand City Ltd. will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the Charged Accounts, unless the Issuer or Grand City Ltd., respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders;
- will not permit any restriction on the ability of any subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's investees or (ii) (a) pay any indebtedness owed to the Company or any of the Company's subsidiaries (b) make loans or advances to the Company or any of the Company's subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's subsidiaries.
- The total indebtedness incurred by the group in respect of project financing debt shall not exceed the higher of euro 65 million or 25% of the portfolio value.

E. On February 24, 2014, the Company successfully placed euro 150 million convertible bonds (see note 31).

22. TRADE AND OTHER PAYABLES

	As at December 31,	
	2013	2012
	€'000	€'000
Trade and other payables	21,604	5,935
Prepayments received from tenants	34,472	15,326
Tenancy deposits (see note 23)	6,252	3,077
Deferred income	1,460	561
Other liabilities	34,821	-
	98,609	24,899
Non-current portion	6,252	3,077
Current portion	92,357	21,822
	98,609	24,899

23. OTHER LONG TERM LIABILITIES

	As at December 31,	
	2013	2012
	€'000	€'000
Tenancy deposits	6,252	3,077
Finance lease liability	2,993	2,516
Loan from associate undertakings (see note 25)	446	1,438
Other	11,764	-
	21,455	7,031

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	€'000
Balance as at January 1, 2012	(*) 1,207
Charged to consolidated income statements during the year	343
Balance as at December 31, 2012	1,550
Balance as at January 1, 2013	1,550
Charged consolidated income statements during the year	2,504
Balance as at December 31, 2013	4,054

(*) Reclassified see note 2(a).

25. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) LOANS TO ASSOCIATED UNDERTAKINGS (SEE NOTE 13)	As at December 31, 2013 €'000	2012 €'000
Other associate undertakings	153	-
	153	-

(ii) LOANS FROM ASSOCIATED UNDERTAKINGS (SEE NOTE 23)	As at December 31, 2013 €'000	2012 €'000
Other associated undertakings	446	1,438
	446	1,438

(iii) INTEREST ON LOANS FROM RELATED PARTIES	As at December 31, 2013 €'000	2012 €'000
Interest on loans from related party during the year	466	751
	466	751

There were no transactions between the group and its key management during the year.

Related parties transactions were made on terms equivalents to those that prevail in arm's length transactions are made only if such terms can be substantiated.

26. ASSETS / LIABILITIES HELD FOR SALE

On December 31, 2012, the Group management resolved to dispose of the control of one of the Group's subsidiaries. Negotiations with specific interested parties have taken place. The assets and liabilities attributable to the subsidiary, which is expected to be sold within twelve months, have been classified as asset/liability held for sale and are presented separately in the consolidated statement of financial position. No impairment loss was recognized on reclassification of the assets as held for sale. During 2013 the Group management has decided to postpone the sale and accordingly, the assets and liabilities attributable to the subsidiary have been reclassified back to the respective captions.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	As at December 31,	
ASSETS CLASSIFIED AS HELD FOR SALE	2013 €'000	2012 €'000
Investment property	-	10,320
Trade and other receivables	-	94
Cash	-	11
Deferred tax	-	296
Total assets classified as held for sale	-	10,721
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Trade payables	-	304
Loans and borrowings	-	3,710
Deferred tax liabilities	-	851
Derivative	-	117
Total liabilities classified as held for sale	-	4,982

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(i) CREDIT RISK

Credit risk arises because of a failure of counter parties discharging their obligations which could result in a reduction of the amount of future cash inflows from financial assets at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group monitors the aging profile of its receivables on a continuous basis.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Rent and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance to a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(b) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Carrying amount	
	2013	2012
	€'000	€'000
Rent and other receivables (see note 18)	12,255	2,925

The maximum exposure to credit risk for rent and other receivables at the end of the reporting period was by end-user customers.

i. Impairment losses

The aging of rent receivables at the end of the reporting period that were not impaired was as follows:

	As at December 31,	
	2013	2012
	€'000	€'000
Neither pas due and past due 1–30 days	2,738	(*) 1,133
Past due 31–90 days	2,821	434
Above 90 days	2,351	1,358
	7,910	2,925

(*) Reclassified to fit to note structure as at December 31 2013 to enhance comparability.

ii. Cash and cash equivalents

The Group held cash and cash equivalents of euro 132,542 thousand as of December 31, 2013 (2012: euro 80,977 thousand), which represents its maximum credit exposure on these assets.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has Procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2012 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements.

(ii) Liquidity risk

		Contractual cash flows including interest					
AS AT DECEMBER 31, 2013	Carrying amount €'000	Total €'000	2 months or less €'000	2-12 months €'000	1-2 years €'000	2-3 years €'000	More than 3 years €'000
Non-derivative financial liabilities							
Bank loans	465,788	551,762	863	22,394	25,952	52,189	450,364
Bond Series B	195,681	281,250	-	12,500	12,500	12,500	243,750
Other loans	6,528	7,010	92	3,772	258	2,888	-
Trade payables	21,604	21,604	7,370	14,234	-	-	-
Total	689,601	861,626	8,325	52,900	38,710	67,577	694,114

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

		Contractual cash flows including interest					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
AS AT DECEMBER 31, 2012	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative financial liabilities							
Bank loans	170,000	192,407	92	9,562	9,831	10,549	162,373
Convertible bond	97,724	140,000	-	8,000	8,000	8,000	116,000
Other loans	6,001	8,113	309	488	542	561	6,213
Trade payables	5,935	5,935	5,935	-	-	-	-
Total	**279,660**	**346,455**	**6,336**	**18,050**	**18,373**	**19,110**	**284,586**

(iii) MARKET RISK

a. PROFILE

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group was as follows:

	Nominal amount, as at December 31	
	2013	2012*
	€'000	€'000
Hedge instruments		
Swap	166,617	73,094
Cap, collar	163,074	67,499
Total hedge instruments	**329,691**	**140,593**
Fixed interest rate	291,760	105,869
Variable rate instruments		
Variable	45,541	29,169
Total	666,992	275,631

(*) Reclassified to fit to note structure as at December 31 2013 to enhance comparability.

b. CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	**100 bp increase**	100 bp decrease
	€'000	€'000	€'000	€'000
December 31, 2013				
Variable rate instruments	(1,357)	331	(1,357)	331
Cash flow sensitivity	(1,357)	331	(1,357)	331
December 31, 2012				
Variable rate instruments	(924)	205	(924)	205
Cash flow sensitivity	**(924)**	**205**	**(924)**	**205**

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(v) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

DECEMBER 31, 2013	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial asset at fair value through profit or loss	-	-	4,875	4,875
Total assets	-	-	**4,875**	**4,875**
Derivative financial instruments	-	12,599	-	12,599
Total liabilities	**-**	**12,599**	**-**	**12,599**
DECEMBER 31, 2013				
Traded securities at fair value through profit or loss	34,258	-	-	34,258
Investment in financial long term assets	-	-	2,578	2,578
Total assets	**34,258**	**-**	**2,578**	**36,836**
Derivative financial instruments	-	13,832	-	13,832
Total liabilities	**-**	**13,832**	**-**	**13,832**

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Company has transferred the financial asset at fair value through profit and loss from Level 3 to Level 1, since starting January 7, 2013, the trade securities are quoted in active market.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

(c) As of December 31, 2013, the fair value and the carry amount of the financial instruments are the same.

(vi) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. As at December 31, 2013 and 2012 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group.

In the current period the Company issued bond series b (see note 21) for which Net Debt (which is define at financial indebtedness less cash and cash equivalents) shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than twelve (12) months. The Group is in compliance with these terms at year end.

The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the year covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

28. OPERATING LEASE

The Group entered into long term rent agreements as a lessor, the minimum rent income which will be received are as follows:

	As at December 31,	
	2013	2012
	€'000	€'000
Less than a year	29,503	1,150
2 to 5 year	85,450	4,897
Beyond 5 years	68,845	22,088
	183,798	28,135

29. COMMITMENTS

The Group does not have significant commitments as at December 31, 2013.

30. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at December 31, 2013.

31. EVENTS AFTER THE REPORTING PERIOD

a. Sale of inventory – in January 2014 the Company sold 210 units (16 thousand square meters) for gross proceeds of euro 14.5 million.

b. The Group completed several acquisitions with a total purchase price of euro 42 Million.

c. Acquisition of a management company of real estate properties, providing asset and property management to 18,000 units in Germany with a large focus on the Company's strategic locations.

d. On February 24, 2014, the Company has successfully completed with the placement of euro 150 million convertible bonds, convertible into ordinary shares of the Company. The convertible bonds bear a coupon of 1.50% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount. The net proceeds will be used to fund the Company's acquisitions pipeline.

32. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group entities are as follows (*):

			December 31,	
Name	Place of incorporation	Principal activities	**2013 Holding %**	2012 Holding %
SUBSIDIARIES HELD DIRECTLY BY THE COMPANY				
Grand City Property Ltd.	Cyprus	Holding of investments	94.8%	94.8%

			December 31,	
Name	Place of incorporation	Principal activities	**2013 Holding %**	2012 Holding %
SIGNIFICANT SUBSIDIARIES HELD DIRECTLY UNDER GRAND CITY PROPERTY LTD.				
Mindoza Investments Limited	Cyprus	Holding of investments	100%	100%
Pesoria Limited	Cyprus	Holding of investments	100%	-
Sedoy Investments Limited	Cyprus	Holding of investments	100%	100%
Brencere Investments Limited	Cyprus	Holding of investments	100%	100%
Deprimus Limited	Cyprus	Holding of investments	94%	70%
Svenol Trading Limited	Cyprus	Holding of investments	94%	-
Yafin Trading Limited	Cyprus	Holding of investments	94%	-
GCP Holdings GmbH	Germany	Holding of investments	100%	-
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	-
Alemory 43 GmbH	Germany	Investing in real estate properties	94%	-
Alemory 39 GmbH	Germany	Investing in real estate properties	94.9%	-
Residential Wuppertal Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
TH Zwei Terra GmbH	Germany	Investing in real estate properties	50%	100%
Valentinite Fürth Grundstucks GmbH	Germany	Investing in real estate properties	94%	70%
Nürnberg Deutschherrnkarree Grundstücks GmbH	Germany	Investing in real estate properties	94%	-
Alemory 41. Grundstücks GmbH	Germany	Investing in real estate properties	94.8%	-
Cato zweite Immobilienbesitz- und verwaltungs GmbH	Germany	Investing in real estate properties	94%	-

(*) Details of the most significant Group entities referring to Investing in real estate properties in Germany and their mother companies.

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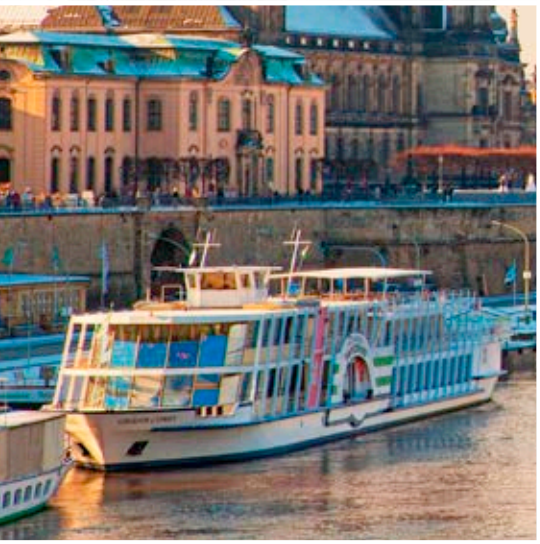

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