Grand City Properties S.A.

Consolidated Financial Statements

2012

for the year ended 31 December 2012

GRAND CITY

Properties S.A.

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Consolidated Financial Statements
for the year ended 31 December 2012

2012

2012

GRAND CITY
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Board of Directors' Report on the State of the Company's Affairs as of December 31, 2012

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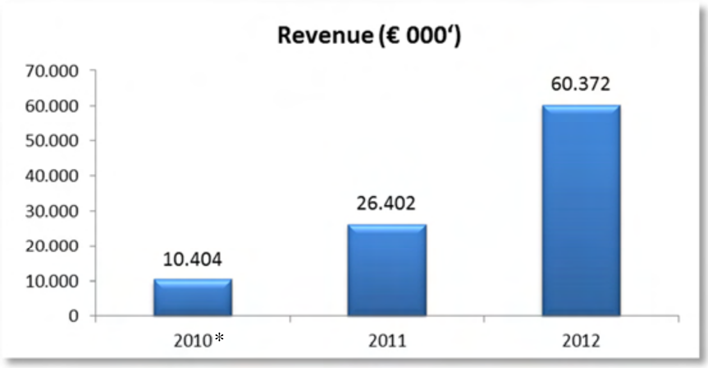
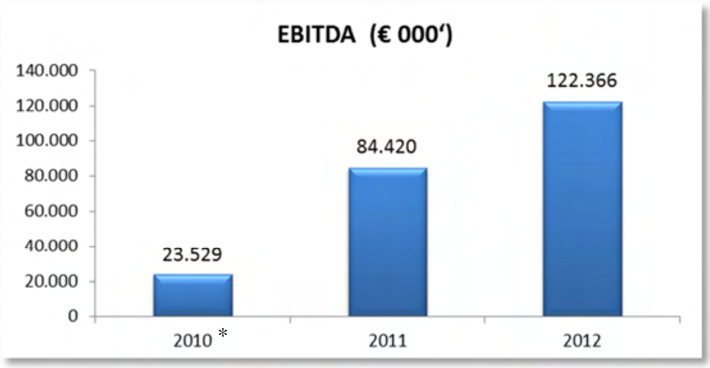
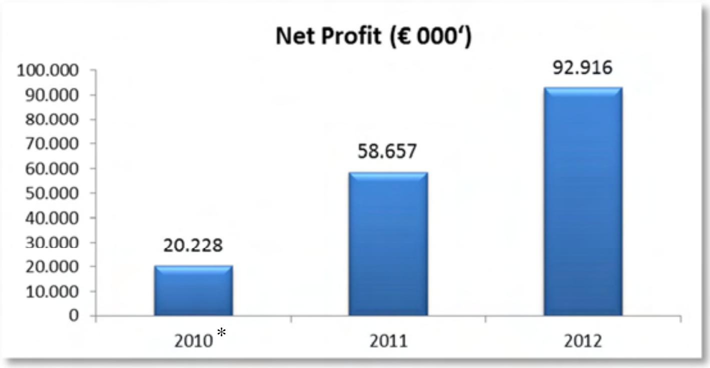
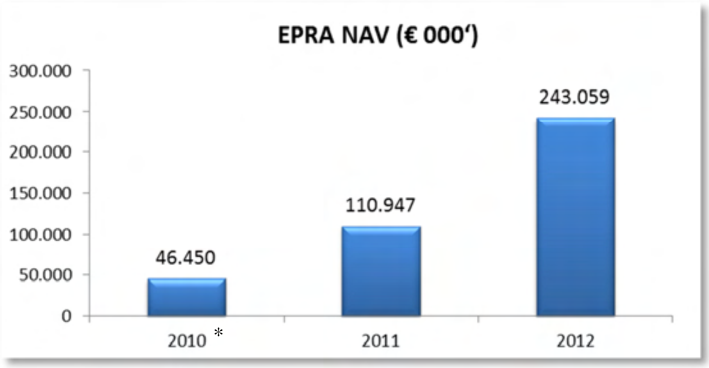
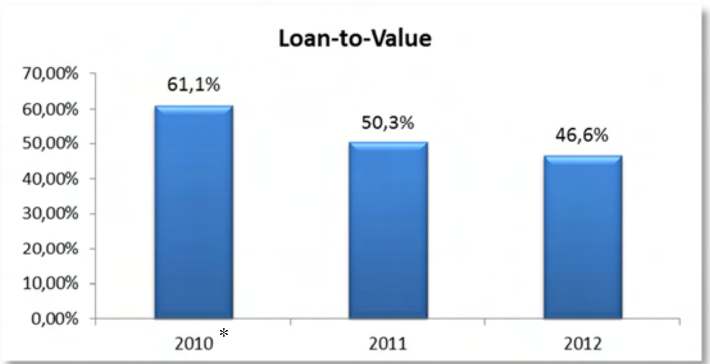
KEY FINANCIALS











*the results for 2010 are from the financial statements of Grand City Property Ltd (formerly Adminond) and reflect holding of a 100%

HIGHLIGHTS

Profitability Highlights (000) €

	2012	2011
Revenue	60.372	26.402
EBITDA	122.366	84.420
Consolidated net income for the year	92.916	58.657

Balance Sheet Highlights (000) €

	2012	2011
Investment Property*	417.406	263.516
Equity accounted investees	20.162	2.397
Total Assets	554.720	289.326
Cash and cash equivalents	80.977	8.158
Total Equity (including non-controlling interests)	202.943	89.231
EPRA NAV	**243.059**	**110.947**
Loans and borrowings*	179.711	140.748
Convertible bond	95.920	-
Total Liabilities	351.777	200.095
Loan To Value**	46,63%	50,32%
Equity Ratio	36,58%	30,84%

*Including held for sale
**Net of cash

OVERVIEW

Grand City Property S.A. ("GCP" or the "Company") Board of Directors hereby submits their annual report as of December 31, 2012.

The figures presented in this Board of Directors' Report are based on consolidated financial statements and other operational information as of December 31, 2012.

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. As of December 31, 2012, the Company's total portfolio, including joint ventures, consisted of approximately 12,000 residential and commercial units, located in densely populated areas with a focus on North Rhine Westphalia, Germany's most populous federal state, and in the capital city Berlin. GCP's properties were valued at Euro 560 million (Euro 143 million related to joint venture with the company holding 50%), as of December 31, 2012.

GCP's business model is focused on buying apartment buildings with strong underlying fundamentals which are not optimally managed or positioned, and turning them around through targeted modernisation and intensive tenant management. This enables the Company to create significant value in its portfolio. GCP also sells assets on an opportunistic basis where upside potential has been mostly realised and attractive prices are being offered.

- GCP is a leading turnaround specialist in the German real estate market with a sizeable portfolio that offers significant upside potential, located in Germany's most attractive and populous markets, predominantly North Rhine Westphalia and Berlin;
- GCP has a strong track record of identifying and acquiring underperforming real estate assets and delivering material improvements in rental revenue through rigorous asset repositioning and tenant management;
- GCP's experience and reputation has provided the Company with privileged access to attractive investment opportunities within its target asset class;
- GCP is well positioned to capture economies of scale by further leveraging its extensive platform, including its advanced IT systems; and
- GCP has a conservative and sustainable financing structure that provides the Company with the adequate flexibility to seize value creating opportunities and finance its growth.

KEY STRENGTHS

Attractive portfolio with defensive characteristics and significant repositioning potential

GCP's total existing portfolio, including joint ventures, of approximately 12,000 units 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 total area of over 800 thousand square meters as of December 31, 2012, 77% of the Company's portfolio is located in North Rhine Westphalia, one of Germany's most productive and populous federal states, and 8% is located in Berlin, the country's capital. GCP's properties are typically rented at affordable rent levels. GCP's increase rent and ability to reduce vacancy levels within its properties has enabled the Company to create significant value.

Fully integrated and scalable platform that is tailored for external acquisitions

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 Company 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, its advanced proprietary IT system enables the Company to closely monitor its portfolio and tenants to continuously optimise 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 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.

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 publicised, 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 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.

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 valuation creation that is immediately captured in the Company's financial performance. GCP's experience also allows it to maximise returns after repositioning by disposing of properties when appropriate.

Strong and growing cash flows with high return potential

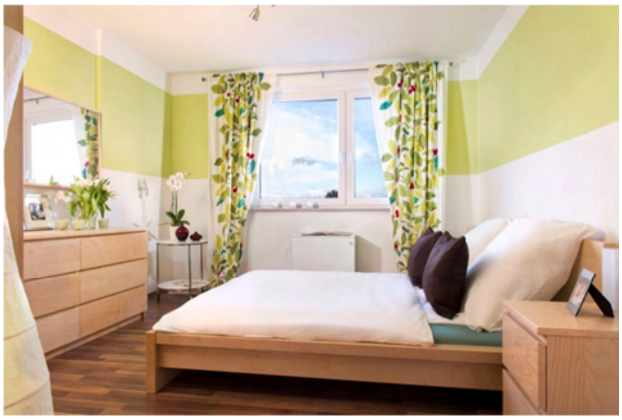
The cash flows GCP generates from its current portfolio are growing. GCP's subsequent active asset management focuses on increasing initial cash flows through increasing rents, decreasing vacancy levels as well as maintaining strict cost discipline. In addition to its existing portfolio of properties,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

Conservative capital structure and proven ability to raise capital

GCP's disciplined approach is also reflected in its conservative capital structure which is characterised by a low cost of debt and a diversified balance sheet structure. The average interest rate on the Company's bank loans is 3.60% and approx. 90% of these are hedged. The bank loans are spread over 15 separate loans that are non-recourse and have no cross collateral or cross default provisions. The senior debt schedule has maturities ranging from 5 to 10 years with no material maturities until 2017. Average maturities are over 6 years. Long maturities offer the Company to focus on core business without the pressure to refinance and exit from projects pre-maturely.

In addition to bank loans, GCP also has a Euro 100 million convertible bond which it issued in October 2012. The Company's stable credit profile is reflected in the BB- Rating with a stable outlook that Standard and Poor's assigned to GCP on February 20, 2013.

The Company has also successfully raised equity capital of Euro 51 million through two placings, one in July 2012 and a subsequent issue in February 2013, raising Euro 15 million and Euro 36 million respectively. The Company will seek to maintain adequate liquidity so that it has the necessary flexibility to finance on-going investment without jeopardiing its ability to react quickly to attractive market opportunities.



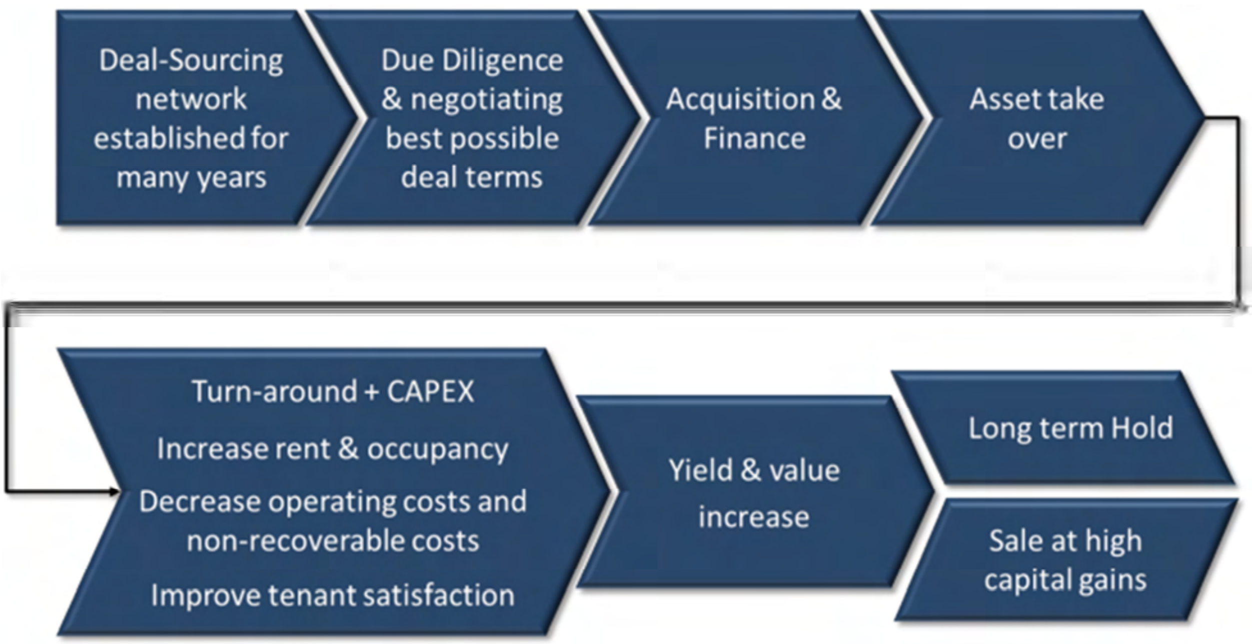
COMPANY STRATEGY

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 favourable fundamentals that will last for the foreseeable future. The Company's current portfolio is predominantly focused on North Rhine Westphalia, Berlin and is currently acquiring portfolios in the Nuremberg metropolitan area, markets with strong fundamentals. GCP believes its platform has the right skills and systems to continue to perform strongly and to further expand in the German market. The Company also believes that there are enough acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

on rental income, investment and strict cost discipline

GCP seeks to maximise 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 realised, 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.



Maximise 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 minimise tenant churn across its portfolio. The Company methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. The Company 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.

Operations supported by advanced and centralised IT system

The Company's comprehensive and centralised IT system plays a significant role in allowing 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 Company 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 for value appreciation

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

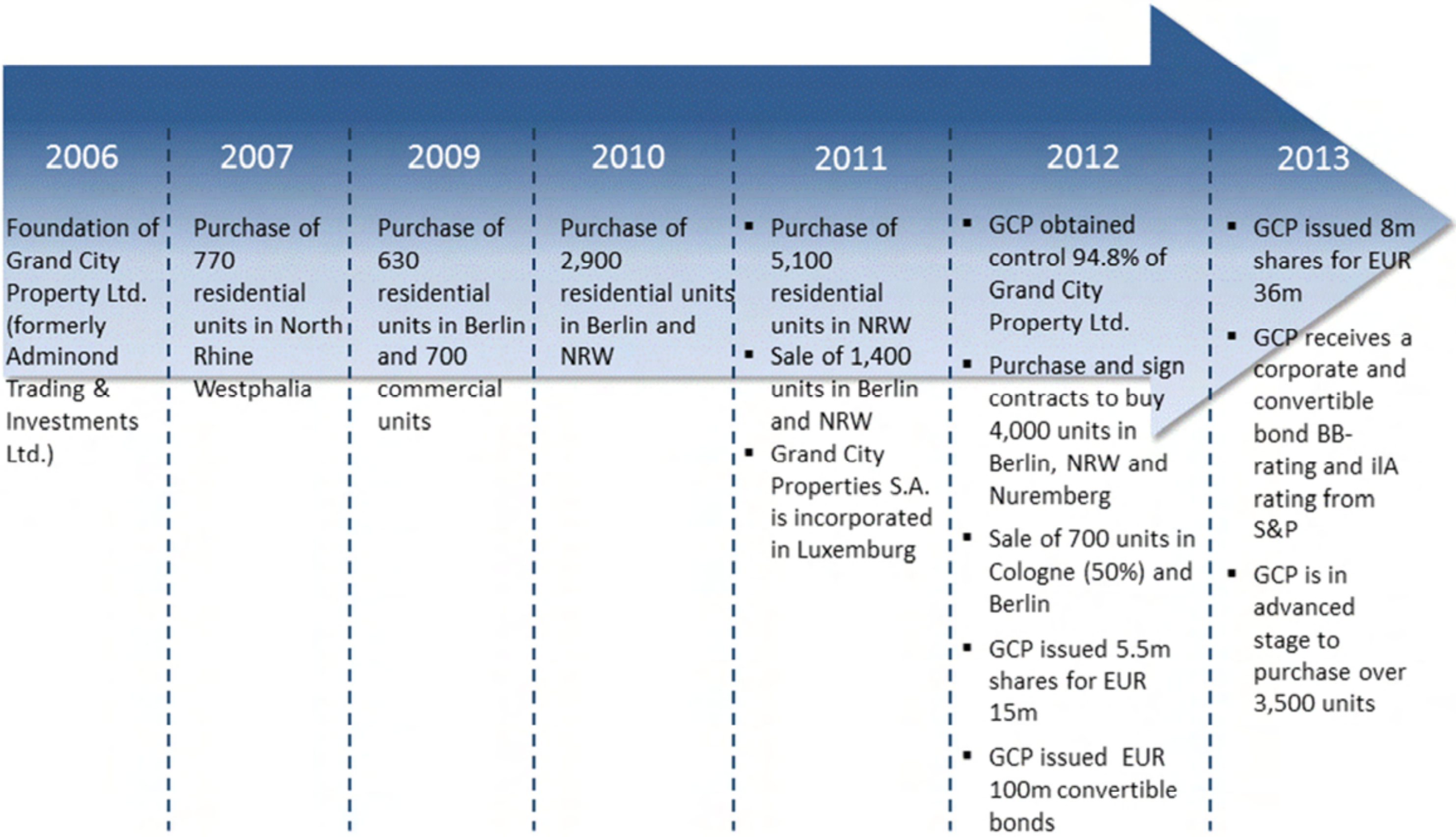
Sell repositioned properties when returns are attractive

GCP will hold onto properties where it believes it can create more value with further asset management. The Company will seek to sell assets on an opportunistic basis where upside potential has been mostly realised and attractive prices are being offered.

Maintain a conservative capital structure

GCP seeks to preserve its conservative capital structure with a LTV to remain below 60%, low interest rates that are mostly hedged, diversified financing sources and long maturities. A key feature of the Company's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

MILESTONES

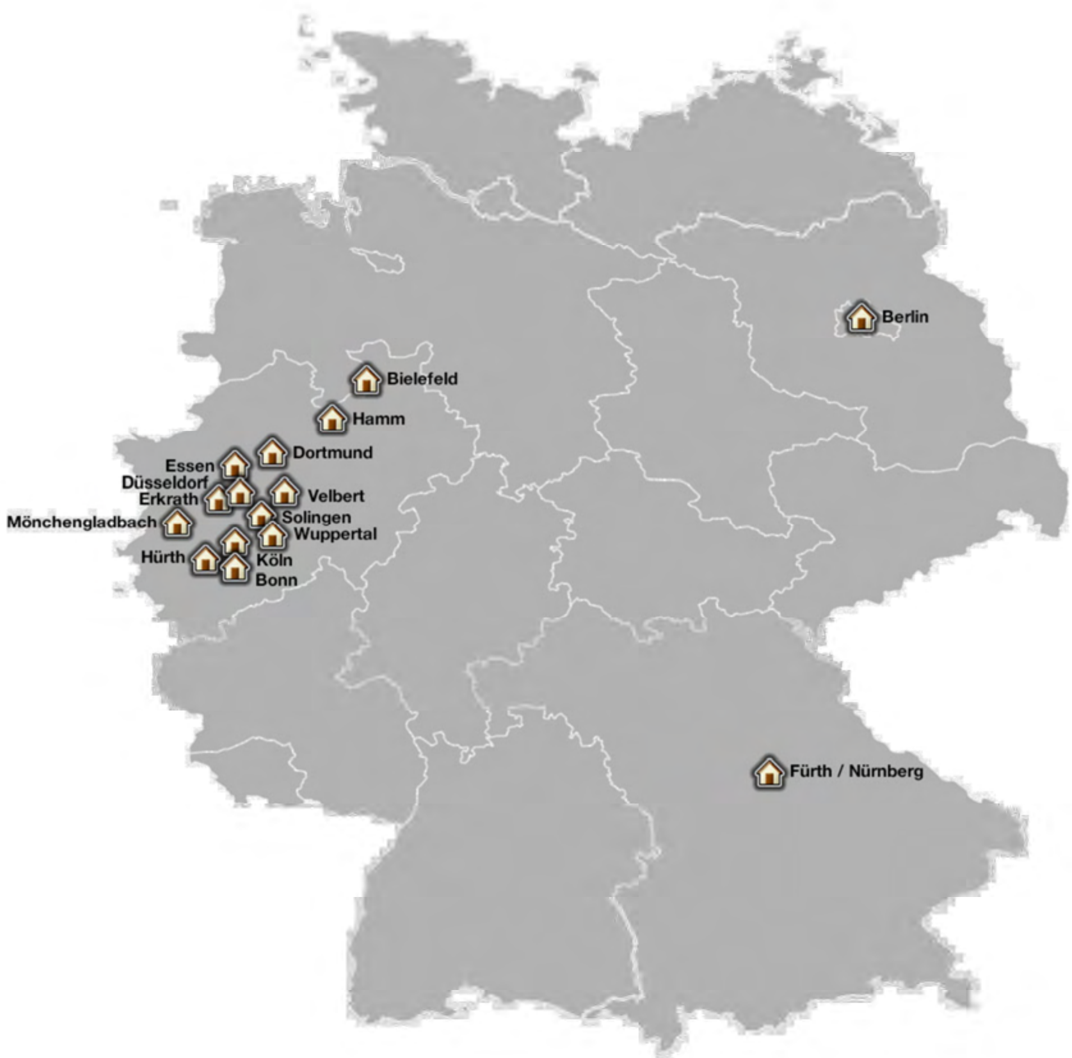


PORTFOLIO OVERVIEW

GCP has grouped the investment properties and the joint venture 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% percent; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which generally, when acquired, provide vacancy rates between 15 % and 25 %.

Applying this definition, GCP's real estate portfolio (including 3,577 units in joint venture properties) as of December 31, 2012 included 2,939 units in the stabilized stage (accounting for 36% of the total portfolio market value), 3,892 units in the advanced turnaround stage (accounting for 33% of the total portfolio market value) and 4,849 units in the early turnaround stage (accounting for 31% of the total portfolio market value). As of December 31, 2012, the monthly in-place net rent of GCP's total portfolio (including joint venture properties) amounted to Euro 4.86 per square meter.

Major Cities of GCP's Portfolio



NOTES ON BUSINESS PERFORMANCE

Profit and Loss - key figures

in thousand Euro	2012	2011
Revenue	**60.372**	**26.402**
Capital gains, property revaluations and other income	98.043	72.843
Share profit from investment in equity accounted investees	8.384	1.497
Refurbishment an maintenance	(2.195)	(1.886)
Property operating expenses	(19.424)	(12.019)
Other expenses	(4.513)	(2.417)
Cost of buildings sold	(18.301)	-
Operating profit	**122.366**	**84.420**
Net finance expenses	(13.284)	(13.904)
Deffered and income tax expenses	(16.166)	(11.859)
Profit for the year	**92.916**	**58.657**

Revenue

in thousand Euro	2012	2011
Rental income	39.872	24.898
Revenue from sell of buildings	19.989	-
Other operating income	511	1.504
Total	60.372	26.402

Revenue increased in 2012 by 129% compared to 2011. The increase derives mainly from the improvement in rental income and revenue from sell of buildings.

From 2011 to 2012 rental income increased by 60% from Euro 25 million to Euro 40 million due to acquisitions and an increase in occupancy and rent.

The revenue from sell of buildings results from a sell of several residential buildings at the amount of Euro 20 million with the initial intention of a fast turnaround and short holding period.

Capital gains, property revaluations and other income

The capital gains, property revaluations and other income in 2012 increased by Euro 25.2 million from Euro 72.8 million in 2011 to Euro 98 million in 2012.

The total proceeds from sale of investments and building in inventory in 2012 were Euro 33.4 million.

Share of profit from investment in equity accounted investees

Due to entering into one further joint venture during the first half of 2012 and a sell of 50% of a subsidiary in October 2012 the share of profit from investment in equity-accounted investees increased from Euro 1.5 million in 2011 to Euro 8.4 million.

Other Expenses

in thousand Euro	2012	2011
Other expenses	(4.513)	(2.417)

The other expenses for 2012 have increased by Euro 2.1 million from Euro 2.4 million in 2011 to Euro 4.5 million in 2012. The increase in operating expenses reflects the growth of the Company which includes additional costs for property acquisitions, takeovers and related costs to the listing in the Frankfurt Stock Exchange.

Tax expenses and reserves

The income tax expenses and reserves increased by Euro 4.3 million from Euro 11.9 million in 2011 to Euro 16.2 million in 2012 mainly as a result from deferred tax liability on investment property and deferred tax liability on selling of residential properties.

Net Finance Expenses

in thousand Euro	2012	2011
Finance expenses from credit institutions and third parties, net	(6.593)	(4.438)
Finance expenses from convertible bond	(1.804)	-
Finance on loans from related parties and shareholders, net	(619)	(1.341)
Total	**(9.016)**	**(5.779)**

The net financing expenses have increased between 2011 and 2012 by more than Euro 3 million. The financing expenses rose due to the annualized effect of the end of year 2011 loan balance. In addition the Company was granted with further loans increasing the loans and borrowings from Euro 141 million to Euro 180 million (including liabilities held for sale). The average interest rate of the Company's loans is 3.6%. Additionally the financing expenses increased by Euro 1.8 million, due to the interest expenses of the convertible bond issued in October 2012. GCP financing policy is long term and conservative, with major maturities between 2017 and 2021. GCP has 15 separate non-recource loans without cross-collateral niether cross-default.

Profit for the year

in thousand Euro	2012	2011
Operating profit	122.366	84.420
Profit for the year	92.916	58.657

As of December 31, 2012 profit increased from 2011 by 58%. This is mainly due to a significant increase in revenues, capital gains and revaluation profits which are based on properties turnaround, occupancy and rent increases.

Cash Flow

in thousand Euro	2012	2011
Net cash provided by operating activities	**35.507**	**14.927**
Net cash used in investing activities	(51.739)	(9.962)
Net cash provided by financing activities	89.062	(6.194)
Asset held for sale - Cash	(11)	-
Net increase (decrease) in cash and cash equivalent	**72.819**	**(1.229)**

The significant increase in net cash provided by operating activities derived mainly due to the significant increase in rental income.

The increase of net cash used in investing activities is due to further increase in investment amounts in 2012 compared to 2011.

The net cash provided by financing activities has increased in 2012 by Euro 95 million due to the successful convertible bond issuance made in October 2012 and due to the Euro 18 million proceeds from share capital issuance.




Net Assets

in thousand Euro	2012	2011
Non-current assets	**437.039**	**263.965**
Investment property	407.086	258.116
Other non-current assets	29.953	5.849
Current assets	**117.681**	**25.361**
Financial assets at fair value though profit or loss	4.875	-
Trade and other receivables	21.108	11.803
Cash and cash equivalents	80.977	8.158
Assets held for sale	10.721	5.400
Assets	**554.720**	**289.326**

The total assets as of December 31, 2012 as presented in the consolidated balance sheet are Euro 555 million, compared with EUR 289 million on December 2011.

The total assets have increased by Euro 265 million, reflecting a 92% increase in comparison to December 2011. This increase is in line with the Company's growth objectives and is derived mainly from the Euro 149 million growth of investment property and of the Euro 73 million cash increase resulting mainly from the bond issuance on October 2012. The full investment including joint ventures is Euro 560 million.

EPRA NAV

in thousand Euro	2012	2011
Equity (Before minority interests)	202.943	89.231
Fair Value measurements of derivative financial instruments	12.599	8.823
Net Deferred Tax	27.517	12.893
EPRA NAV for end of year	243.059	110.947
Capital Increase (19.02.2013)	35.700	na
EPRA NAV as of 19.02.2013	278.759	na

According to the definition of net asset value recommended by the European Public Real Estate Association ("EPRA NAV") the EPRA NAV of the Company's assets amounted to Euro 243 million compared to Euro 111 million in 2011. The main reason for the 119% increase is due to the Euro 114 million increase in the company's equity. In February 2013, the Company has raised Euro 35.7 million capital throughout a private placement. The effect of the capital increase, as of the 19th of February 2013, increases the EPRA NAV by Euro 35.7 million to Euro 279 million.

Further Consideration

Convertible Bond Issuance

In October 2012 the Company has successfully completed the placement of convertible bonds convertible into ordinary shares of the Company in an aggregate principal amount of Euro 100 million. Credit Suisse acted as sole book runner of the offering.

The bonds have a maturity of five years. The initial conversion price will be Euro 4.00 and bear a coupon at the rate of 8% per annum.

The bond's covenants can be found in in Note 20 of the consolidated financial statement.

Loan-to-Value

The loan-to-value ("LTV") is the ratio of the convertible bond, loan and borrowings and liabilities held for sale, deducted by cash and cash equivalents, divided by the investment properties and assets held for sale. The LTV has decreased by 3.7%, mainly due to GCP's conservative approach on the financial leverage.

in thousand Euro	2012	2011
Investment properties*	417.406	263.516
Loans and borrowings*	179.711	140.748
Convertible bond	95.920	-
Cash and cash equivalents	80.977	8.158
LTV	**46,63%**	**50,32%**

MAJOR DEVELOPMENTS AFTER THE REPORTING PERIOD

Capital Raise

On February 19, 2013, the Company issued 8 million new shares for the amount of Euro 35.7 million par-value of Euro 0.10 each and the share capital of the company was increased from Euro 5.55 million to Euro 6.35 million. The new shares all were successfully placed with leading international institutional investors by way of private placement. The issue price per share was Euro 4.46. The capital increase was oversubscribed. The proceeds of the capital increase will be used for the financing of new acquisitions of real estate property portfolios as part of the Company's growth strategy.

S&P Rating

On February 20, 2013, S&P assigned Grand City Properties, a BB- Rating and ilA rating with a stable Outlook. The rating applies also to the convertible bond of Grand City Properties.

The rating and stable outlook reflects mainly the current high liquidity position of the Company, low LTV, high interest cover ratios, long term financing with major loan maturities between 2017 and 2021 and positive outlook of cash production capacity from current operations.

New Acquisitions

The Company is in advanced stage to purchase over 3,500 units in several acquisitions mainly in Berlin, NRW, Nuremberg, Bremen and Mannheim.

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, 18 March 2013

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To the Shareholders of
Grand City Properties S.A.
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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, 2012 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, 2012, 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 Board of Directors' Report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, March 18, 2013

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

Alison Macleod

GRAND CITY PROPERTIES S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31, 2012	For the year ended December 31, 2011(*)
		In thousands of Euro	
Revenue	5	60.372	26.402
Capital gains, property revaluations and other income	6	98.043	72.843
Share of profit from investments in equity accounted investees	16	8.384	1.497
Refurbishment and maintenance		(2.195)	(1.886)
Property operating expenses	7	(19.424)	(12.019)
Other expenses	8	(4.513)	(2.417)
Cost of buildings sold		(18.301)	-
Operating profit		122.366	84.420
Net finance expenses	9b	(9.016)	(5.779)
Other finance result	9a	(4.268)	(8.125)
Net finance expenses		(13.284)	(13.904)
Profit before tax		109.082	70.516
Tax expenses	10	(16.166)	(11.859)
Profit for the year		92.916	58.657
Other comprehensive income for the year after tax		-	-
Total comprehensive income for the year		92.916	58.657
Profit attributable to:			
Owners of the Company		81.831	55.586
Non-controlling interests		11.085	3.071
Net earnings per share attributable to owners of the Company (in euro)			
Basic earnings per share	12	1,97	11,11
Diluted earnings per share	12	1,89	11,11

(*) please refer to note 1(c) for the comparative figures.

The notes on pages 26 to 70 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31 2012	December 31 2011(*)
		In thousands of Euro	
Assets			
Investment property	15	407.086	258.116
Equity-accounted investees	16	20.162	2.397
Deferred tax assets	10	1.812	1.396
Equipment and intangible assets	14	55	128
Other long - term assets	13	7.924	1.928
Non-current assets		437.039	263.965
Financial asset at fair value through profit and loss	11	4.875	-
Trade and other receivables	18	21.108	11.803
Cash and cash equivalents		80.977	8.158
Assets held for sale	25	10.721	5.400
Current assets		117.681	25.361
Total assets		554.720	289.326

(*) please refer to note 1(c) for the comparative figures

GRAND CITY PROPERTIES S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2012	December 31, 2011(*)
		In thousands of Euro	
Equity			
Share capital	19	5.550	500
Other reserves		14.345	14.211
Share premium		13.391	-
Retained earnings		150.972	69.141
Equity attributable to owners of the Company		184.258	83.852
Non-controlling interests		18.685	5.379
Total equity		202.943	89.231
Liabilities			
Loans and borrowings	20	171.752	138.149
Convertible bond	20	95.920	-
Loan from shareholders	24	-	18.793
Derivative financial instruments	17	12.599	8.823
Deferred tax liabilities	10	29.329	14.289
Other long term liabilities	22	7.031	1.909
Non-current liabilities		316.631	181.963
Short term portion of long-term loans	20	4.249	2.599
Trade and other payables	21	21.822	13.587
Accrued interest related to convertible bond	20	1.804	-
Provisions for other liabilities and charges	23	2.289	1.946
Liabilities classified as held for sale	25	4.982	-
Current liabilities		35.146	18.132
Total liabilities		351.777	200.095
Total equity and liabilities		554.720	289.326

The Board of Directors of Grand City Properties S.A. authorised these consolidated financial statements for issue on March 18, 2013

Cleo Koushos - Cros
Director

Daniel Malkin
Director

(*) please refer to note 1(c) for the comparative figures

The notes on pages 26 to 70 are an integral part of these consolidated financial statements.

GRAND CITY PROPERTIES S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31,

		Attributable to owners of the Company							
		Share capital	**Share Premium**	**Equity portion of convertible bond**	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
		In thousands of Euro							
Balance at January 1, 2011		500	-	-	14.211	24.584	39.295	4.600	43.895
Profit for the year		-	-	-	-	55.586	55.586	3.071	58.657
Other comprehensive income for the year		-	-	-	-		-	-	-
Total comprehensive income for the year		-	-	-	-	55.586	55.586	3.071	58.657
Dividends		-	-	-	-	(10.545)	(10.545)	(586)	(11.131)
Acquisition of subsidiary with non-controlling interests		-	-	-	-	(484)	(484)	(1.706)	(2.190)
Balance as of December 31, 2011	(*)	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 loss for the year		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	.	81.831	81.831	11.085	92.916
Issuance of share capital		5.050	(**13.391				18.441	-	18.441
Equity portion of convertible bond		-	-	134	-	-	134	-	134
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	2.221	2.221
Balance as of December 31, 2012		5.550	13.391	134	14.211	150.972	184.258	18.685	202.943

(*) Please refer to note 1(c) for the comparative figures.
(**) Net from issuance expenses in amount of EURO 1.184 thousands.

The notes on pages 26 to 70 are an integral part of these consolidated financial statements.

GRAND CITY PROPERTIES S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the year ended December 31, 2012	2011(*)
		In thousands of Euro	
Cash flows from operating activities:			
Profit for the year		92.916	58.657
Adjustments for:			
Depreciation and amortization	14	94	13
Share of profit from investments in equity-accounted investees	16	(8.384)	(1.497)
Profit from business combination and sale of investment		(19.677)	(1.678)
Change in fair value of investment property	6/15	(78.335)	(71.165)
Interest expense and other financial results		12.026	13.872
Change in financial assets through profit and loss		(2.925)	269
Change in fair value of derivative financial instruments		5.727	8.432
Interest income		(1.070)	-
Income tax expense	10	16.166	11.859
		16.538	18.762
Changes in :			
Sale of inventories		18.630	115
Increase in trade and other receivables		(6.756)	(5.770)
Increase in trade and other payables		7.958	1.616
Provisions		431	1.577
Cash generated from operating activities		36.801	16.300
Interest received		1.070	-
Taxes paid		(2.364)	(1.373)
Net cash provided by operating activities		35.507	14.927
Cash flows from investing activities			
Acquisition of equipment and intangible assets	14	(22)	(82)
Acquisition of investment property	15	(48.365)	(65.260)
Loan granted to investments in equity-accounted investees		(3.432)	(910)
Acquisition of subsidiaries, net of cash acquired	(4 a-e)	(10.700)	-
Acquisition of financial asset and financial instruments		(2.593)	-
Proceeds from sale of investments		13.373	56.400
Loans granted		-	(110)
Net cash used in investing activities		(51.739)	(9.962)

The notes on pages 26 to 70 are an integral part of these consolidated financial statements.

GRAND CITY PROPERTIES S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended December 31 2012	2011(*)
		In thousands of Euro	
Proceeds from issuance of share capital	19	18.441	-
Repayment of loans from shareholders and related companies		(19.357)	(10.776)
Repayment of loans from financial institutions		(27.403)	-
Proceeds from borrowings		30.985	29.585
Proceeds from convertibles bond, net	20	96.054	-
Dividends paid to owners of the Company and to non-controlling interest		-	(11.131)
Interest paid		(9.658)	(13.872)
Net cash from/ (used in) financing activities		89.062	(6.194)
Assets held for sale – cash	25	(11)	-
Net increase (decrease) in cash and cash equivalents		72.819	(1.229)
Cash and cash equivalents at January 1 (**)		8.158	9.387
Cash and cash equivalents at December 31		80.977	8.158

(*) please refer to note 1(c) for the comparative figures.

(**) The amount of cash and cash equivalents as at January 1, 2011 was adjusted by EURO 500 thousand to reflect the issuance of 5.000.000 ordinary shares of €0,10 each at par as if they had been from the earliest period presented in the consolidated financial statements. For more information see note 1(c).

The notes on pages 26 to 70 are an integral part of these consolidated financial statements.

GRAND CITY PROPERTIES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. GENERAL

(a) Incorporation and principal activities

Grand City Properties S.A. ("the Company") was incorporated in Luxemburg 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, 2012 consist of the financial statements of the Company and its subsidiaries ("the Group").

The Group vision is buying, redeveloping, turning-around and optimizing residential properties in Germany.

(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 (Former: 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) Comparative figures

To reflect the acquisition of Grand city ltd's shares by the Company as a transaction under common control as described above, the Group presents comparative figures (which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statement of comprehensive income, change in equity and cash flows for the year then ended as of December 31, 2011), as if the transaction had occurred always been from the earliest period presented in the consolidated financial statements. In fact The Group's consolidated financial statements include the Company's interests in Grand city ltd's results as of January 1, 2011.

Certain balance sheet and profit and loss items related to 2011 have been reclassified to enhance comparability.

(d) Capital increase

On April 12, 2012 the Company increased its share capital to EURO 5.000.000 (50.000.000 shares of EURO 0,10 EURO per share).

On July 19, 2012, the Company received net proceeds of EURO 14 million from a capital increase against a cash contribution. 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.

1. GENERAL (continued)

(e) Listing on 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.

(f) On February 19, 2013, the Company received net proceeds of EURO 33,4 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. The funds are primarily intended to be used for the acquisition of additional real estate portfolio**.**

(g) Definition

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 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 International Financial Reporting Standards as adopted by the European Union (IFRS).

The consolidated financial statements were authorised for issue by the Board of Directors on March 18, 2013.

(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:

- Financial assets classified as fair value through profit or loss;
- Investment property is measured at fair value;
- Non-current assets held for sale;
- Investments accounted for at equity;
- 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 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 recognised 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 recognised 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 income statement.
  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,

2. BASIS OF PREPARATION (Continued)

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.

- Fair value of financial assets
  The fair value of financial instruments that are not traded in an active market is determined by using

valuation techniques. The Group uses the fair values as determined by the relevant bank. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

- 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.

- Income taxes
  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 recognises 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.

- 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 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 companies rely 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.

(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. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commences until the date control ceases. Intra-group transactions, balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The restructuring of the group in which **Grand city ltd's** shares were transferred to the Company at par value was treated as a restructuring under common control. Therefore, these consolidated financial statements present the results as if the Company owned 94.8% of **Grand city ltd's** shares from the beginning of the earliest reported period. See note 1(c).

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 group entities.

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 recognised directly in equity and 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 recognised in other comprehensive income and accumulated in equity, the amounts previously recognised 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 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Accounting for business combinations under IFRS3 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

Acquisition-related costs are generally recognised in the consolidated income statement as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised 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 recognised 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 remeasured 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 recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised 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.

(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 recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise 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 recognising its share of further losses. Additional losses are recognised 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 recognised at the date of acquisition is recognised 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 recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The requirements of IAS 36 are applied to determine whether it is necessary to recognise 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

(d) Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Rental income
  Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.
  Change in the operating cost receivable that consist of accumulated recoverable property operating expenses recharged on the tenants. The operating cost receivables are paid off on an annual basis by the respective prepayments received for operating costs.

- Other operating income
  Other operating income is used to represent income from activities other than rental operations, such as profit from release of provisions, tax repayments, commissions, cancelled debts and others.

- 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 recognizing 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 estimate reliably.

(e) Interest result, Net (finance income and finance costs)

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(f) Other finance expenses

Other finance expenses represent changes in the time value of provisions, changes in the fair value of financial assets, impairment losses of financial assets and profit or losses on derivative financial instruments which are recognized in the consolidated income statement. In addition, other finance expenses include borrowing costs and loan arrangement fees.

(g) Deferred tax, income tax and property taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised 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 realised simultaneously.

(1) 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

(2) Deferred tax

Deferred tax is recognised 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A deferred tax asset is recognised 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 utilised. 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 realised.

(h) Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's consolidated financial statements in the year in which they are approved by the Group's shareholders.

(i) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised 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 derecognised 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 recognised in consolidated income statement.

(j) 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 recognised yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepayments received for operating costs
Prepayments received comprise payments received from tenants for the operating cost of the property.

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.

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.

(k) 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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial instruments

1. Non-derivative financial assets:

The Group initially recognises 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 derecognises 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 recognised 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 realise 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) Financial assets at fair value through profit or loss

A financial asset is 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. Financial assets 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 recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.
Other financial liabilities comprise loans and borrowings, and trade and other payables.

3. Share capital

a) Ordinary shares

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

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 recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised 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 amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.
Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

(n) Derecognition 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 derecognised 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 derecognised 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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).

(p) 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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.

(q) Provisions

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Property operating expenses

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties.

(s) Refurbishment maintenance

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.

(t) Operating segments

The Group operates 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(v) 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.

(w) 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 equal 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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

(y) New standards and interpretations not yet adopted

Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current period the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on January 1, 2012. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group.

(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 additions 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.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities.

(II) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011).

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.
The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.
IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the

existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(III) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(IV) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

4. ACQUISITION OF SUBSIDIARY AND NON – CONTROLING INTEREST

During the year the Group obtains control of several companies through acquisitions.

The significant transactions are as follows:

A. Loseranco Investment Limited

The Group obtained control of Loseranco Investment Limited (hereinafter- Loseranco), a holding company which holds real estate properties in Germany by acquiring 94 percent of the shares, voting interests and shareholder loans in Loseranco on December 17, 2012 for the amount of EURO 5,170 thousand net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 8.902 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amount of EURO 429 thousands.

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

	In thousands of Euro
Investment properties	16,160
Trade and other receivable	4,190
Deferred tax assets	438
Other assets	634
Loans and borrowings	(4,509)
Deferred tax Liabilities	(2,037)
Trade and other payable	(256)
Other liabilities	(119)
Acquisition of non-controlling interests	(429)
Profit arising from business combination (negative goodwill)	(8.902)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	5,170

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 896 thousand, and the Group's net profit have been increased by Euro 533 thousand.

B. Trovemco Limited

The Group obtained control of Trovemco Limited (hereinafter- Trovemco), a holding company which holds real estate property in Berlin (through holding of 70% in a company) by acquiring 100 percent of the shares, voting interests and shareholder loans in Trovemco on December 28, 2012 for the amount of EURO 1.547 thousand net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 1.476 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amoun t of EURO 640 thousands.

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

	In thousands of Euro
Investment properties	8,430
Trade and other receivable	345
Deferred tax assets	11
Other assets	23
Loans and borrowings	(4.480)
Deferred tax Liabilities	(407)
Trade and other payable	(259)
Acquisition of non-controlling interests	(640)
Profit arising from business combination (negative goodwill)	(1,476)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	1.547

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 940 thousand, and the Group's net profit would have been increased by Euro 228 thousand.

C. Maltisius Investment Limited

The Group obtained control of Maltisius Investment Limited (hereinafter- Maltisius) , a holding company which holds real estate property in Berlin (through holding of 100% in a company) by acquiring 94 percent of the shares, voting interests and shareholder loans in Maltisius on December 17, 2012 for the amount of EURO 2.752 thousand net of cash acquired. As a result of the business combination the company recorded a negative goodwill of EURO 2.795 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amount of EURO 188 thousands.

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

	In thousands of Euro
Investment properties	10.320
Trade and other receivable	94
Deferred tax assets	296
Loans and borrowings	(3.703)
Deferred tax Liabilities	(851)
Trade and other payable	(298)
Other liabilities	(123)
Acquisition of non-controlling interests	(188)
Profit arising from business combination (negative goodwill)	(2.795)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	2.752

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 798 thousand, and the Group's net profit would have been decrease by Euro 9 thousand.

D. Mavelianco Limited

The Group, through Mavelianco Limited (a 100% subsidiary of the group), obtained control of a group of companies holding real estate properties in Berlin (hereinafter- acquired group), by acquiring 90 Percent of the shares of the company and 85 percent of the shares of the companies, voting interests and shareholder loans on July 15, 2012. As consideration the Group paid EURO 306 net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 4.758 thousand in the consolidated income statement. The Company recognized non-controlling interest in amount of EURO 964 thousands.

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

	In thousands of Euro
Investment properties	17.910
Trading properties - inventory	18.630
Trade and other receivable	1.788
Deferred tax assets	1.532
Loans and borrowings	(28.996)
Deferred tax Liabilities	(2.392)
Trade and other payable	(2.407)
Other liabilities	(37)
Acquisition of non-controlling interests	(964)
Profit arising from business combination (negative goodwill)	(4.758)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	306

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 1.682 thousand, and the Group's net profit would have been increased by Euro 79 thousand.

E. Other purchases

The Group obtained control of two a holding companies which holds real estate property in Berlin (through holding of 100% in a company) by acquiring 51 percent of the shares, voting interests and shareholder loans on November 1, 2012 for the amount of EURO 925 thousand net of cash acquired. These transactions have no effect on the profit and loss or on the non-controlling interest.

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

	In thousands of Euro
Investment properties	10.379
Trade and other receivable	1.287
Other assets	50
Loans and borrowings	(10.633)
Trade and other payable	(158)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	925

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 885 thousand, and the Group's net profit would have been decrease by Euro 6 thousand.

5. REVENUE

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Rental income (a)	39.872	24.898
Revenue from sales of residential buildings	19.989	-
Other operating income	511	1.504
	60.372	26.402

(a) Of which EURO 15.996 thousand (Euro 8,729 Thousand in 2011) refers to property operating income (See note 3(d)).

6. CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Capital gains	4.187	1.678
Change in fair value in investment Property (note 15)	78.335	71.165
Profit arising from business combination	15.521	-
	98.043	72.843

7. PROPERTY OPERATING EXPENSES

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Personnel expenses related to rental income	(997)	(1.151)
Property operating expenses	(18.427)	(10.868)
	(19.424)	(12.019)

(*) please refer to note 1(c) for the comparative figures.

8. OTHER EXPENSES

	Year ended December 31,	
	2012	2011(*)
	In thousands of Euro	
Provision for doubtful debts	(720)	(349)
Audit cost	(528)	(261)
Legal costs	(949)	(769)
Sales and marketing expenses	(459)	(446)
Non recoverable expenses	(454)	(46)
Administrative expenses	(557)	(37)
Depreciation and amortization	(95)	(7)
Other expenses	(751)	(502)
	(4.513)	(2.417)

9. NET FINANCE EXPENSES

	Year ended December 31,	
	2012	2011(*)
	In thousands of Euro	
a. Other finance results		
Changes in fair value of derivative and other financial instruments	(2.802)	(6.494)
Finance related expenses	(1.466)	(1.631)
	(4.268)	(8.125)
b. Finance Income/expenses		
Finance income from credit institutions	1.070	-
Finance expenses from credit institutions and third parties	(7.663)	(4.438)
Finance expenses from convertible bond	(1.804)	-
Finance on loans from related parties and shareholders	(619)	(1.341)
	(9.016)	(5.779)
	(13.284)	(13.904)

(*) please refer to note 1(c) for the comparative figures.

10. TAXATION

a. Tax rate applicable to the Group

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, 2012, plus an annual solidarity surcharge of 5,5 % on the amount of federal corporate taxes payable. (Aggregated tax rate: 15,825%).

The corporation tax rate for Cyprus companies is 10%.

Under certain conditions interest income of the Cyprus company may be subject to defense contribution at the rate of 15% (10% to August 30, 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to August 30, 2011 and 17% 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

b. Taxes on income included in consolidated income statement

	Year ended December 31,	
	2012	**2011(*)**
	In thousands of Euro	
Corporation tax	(635)	(306)
Property tax	(1.637)	(1.067)
Deferred tax, see also c below	(13.894)	(10.486)
Charge for the year	(16.166)	(11.859)

(*) please refer to note 1(c) for the comparative figures.

10. TAXATION (continue)

c. Movement on the deferred taxation account is as follows:

Deferred tax liabilities (assets)

	Deferred tax on trade and other receivables	Deferred taxes – loss carried forward, Net	Fair value gains on investment property	Total
		In thousands	**of Euro**	
Balance as at January 1, 2011	-	(527)	3.302	2.775
Charged to:				
Consolidated income statement	-	(198)	11.712	11.514
Balance as at December 31, 2011(*)	-	(725)	15.014	14.289
Balance as at January 1, 2012	-	(725)	15.014	14.289
Charged to:				
Consolidated income statement		2.978	11.877	14.855
Initial consolidation	396	(2.277)	4.640	2.759
Deconsolidation	-	844	(2.290)	(1.446)
Transfer to liability held for sale	-	(277)	(851)	(1.128)
Balance as at December 31, 2012	396	543	28.390	29.329

The Group’s tax losses are of indefinite life.

(*) please refer to note 1(c) for the comparative figures.

Deferred tax assets

	Derivative financial instruments	Total
	In thousands of Euro	
Balance as at January 1, 2011	372	372
Charged to:		
Consolidated income statement	1.024	1.024
Balance as at December 31, 2011 (*)	1.396	1.396
Balance as at January 1, 2012	1.396	1.396
Charged to:		
Consolidated income statement	961	961
Deconsolidation	(223)	(223)
Transfer to liabilities held for sale	(19)	(19)
Initial consolidation	(303)	(303)
Balance as at December 31, 2012	1.812	1.812

(*) please refer to note 1(c) for the comparative figures.

d. Reconciliation of effective tax rate

	Year ended December 31,	
	2012	2011 (*)
	In thousands of Euro	
Profit before tax	109.082	70.516
Statutory tax rate	28.8%	28.8%
Tax computed at the statutory tax rate	31.416	20.308
Increase/(decrease) in taxes on income resulting from the following factors:		
Group's share of earnings of companies accounted for at equity	(1.320)	(237)
Effect on tax rates in foreign jurisdictions (at 15,825%)	(14.153)	(8.149)
Effect on tax rates in foreign jurisdictions (at 10%)	52	(205)
Others	171	142
Taxes on income	16.166	11.859

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

a. Composition

	December 31,	
	2012	2011 (*)
	In thousands of Euro	
Balance as of January 1		
Investment in trade securities	1.950	-
Fair value adjustment	2.925	-
Balance as of December 31	4.875	-

b. After the reporting period the group realized approximately 25% of its investment for Euro 1.3M.

c. For hierarchy level used for the valuation of these financial assets refer to note 26.

(*) please refer to note 1(c) for the comparative figures.

GRAND CITY PROPERTIES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2012

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

A. Basic earnings per share

The calculation of basic earnings per share as of December 31, 2012 is based on the profit attributable to ordinary shareholders of EURO 81.831 thousand (2011: EURO 55.586 thousand), and a weighted average number of ordinary shares outstanding of 41.500.000 (2011:5.000.000), calculated as follows.

1. Profit attributed to ordinary shareholders (basic)

	2012	2011(*)
	In thousands of Euro	
Profit for the year, attributable to the owners of the Company	81.831	55.586

2. Weighted average number of ordinary shares (basic)

	Note	2012	2011(*)
Issued ordinary shares at January 1	19	5.000.000	5.000.000
Effect of shares issued in April 2012	19	33.750.000	-
Effect of shares issued in July 2012	19	2.750.000	-
Weighted average number of ordinary shares at December 31,		41.500.000	5.000.000
Basic earnings per share (EURO)		1,97	11,11

(*) please refer to note 1(c) for the comparative figures.

B. Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2012 is based on profit attributable to ordinary shareholders of EURO 83.116 thousand (2011: EURO 55.586 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 43.965.753 (2011: 5.000.000), calculated as follows.

1. Profit attributed to ordinary shareholders (diluted)

	2012	2011(*)
	In thousands of Euro	
Profit attributable to ordinary shareholders (diluted)	81.831	55.586
Interest expense on convertible notes, net of tax	1.285	-
Profit attributable to ordinary shareholders (diluted)	83.116	55.586

2. Weighted average number of ordinary shares (diluted)

	Note	2012	2011(*)
Issued ordinary shares on January 1	19	5.000.000	5.000.000
Effect of shares issued in April 2012	19	33.750.000	-
Effect of shares issued in July 2012	19	2.750.000	-
Effect of exercise of convertible bond	19	2.465.753	-
Weighted average number of ordinary shares at December 31,		43.965.753	5.000.000
Diluted earnings per share		1,89	11,11

(*) please refer to note 1(c) for the comparative figures.

GRAND CITY PROPERTIES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2012

13. OTHER LONG TERM ASSETS

	December 31, 2012	December 31, 2011 (*)
	In thousands of Euro	
Finance lease asset	2.516	-
Tenancy deposit (note 18)	2.986	1.449
Advanced payment for investment property	2.422	-
Loans to associate undertakings	-	479
Balance as of December 31	7.924	1.928

14. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	In thousands of Euro			
Cost				
Balance as at January 1, 2011	18	45	6	69
Additions	61	27	2	90
Balance as at December 31, 2011	79	72	8	159
Balance as at January 1, 2012	79	72	8	159
Additions	22	-	-	22
Balance as at December 31, 2012	101	72	8	181
Depreciation/Amortization				
Balance as at January 1, 2011	13	8	3	24
Depreciation/Amortization for the year	5	-	2	7
Balance as at December 31, 2011	18	8	5	31
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
Carrying amounts				
Balance as at December 31, 2012	55	-	-	55
Balance as at December 31, 2011(*)	61	64	3	128

(*) please refer to note 1(c) for the comparative figures

15. INVESTMENT PROPERTY

	December 31,	
	2012	**2011(*)**
	In thousands of Euro	
Balance as of January 1	258.116	181.813
Additions	48.365	66.938
Disposals	(509)	(56.400)
Addition through business combinations	63.199	-
Deconsolidation	(30.100)	-
Transfer to assets held for sale (note 25)	(10.320)	(5.400)
Fair value adjustment (note 6)	78.335	71.165
Balance as at December 31	407.086	258.116

Investment properties are stated at fair value, which has been determined based on external valuation reports performed by independent professionally qualified valuers as of December 31, 2012.
The range of the yields applied to the net annual rentals to determine the fair value of property is between 6.5%-7.5% .

16. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

1. Composition

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Balance as of January 1	2.397	-
Additions	230	900
Long term loans and receivables	3.331	-
Deconsolidation – loss of control (a)	5.820	-
Share of profit from associates	8.384	1.497
Balance as of December 31	20.162	2.397

(a). On October 4, 2012, the Company sold 50 percent of its shares in Residential Köln Grundstucks GmbH and shareholders loan to third party for EURO 7.902 thousand. As a result the Company recorded Euro 1.743 thousand as a capital gain.

(*) please refer to note 1(c) for the comparative figures.

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For the year ended December 31, 2012

2. The details of the significant investments are as follows:

	December 31, 2012			December 31, 2011 (*)		
Name	**Holding %**	**Group share of net assets**	**Group's share of profit**	**Holding %**	**Group share of net assets**	**Group's share of profit**
		In thousands of Euro			In thousands of Euro	
Terra Heimbau Zwei Ltd & Co KG	50%	3.149	2.483	50%	1.348	644
Terra Heimbau 407 Ltd & Co KG	50%	1.707	565	50%	1.049	853
Residential Essen I Grundstucks GmbH	50%	565	140	-	-	-
Residential Duisburg Grundstucks GmbH	50%	5.451	2.586	-	-	-
Residential Project Monchengladbach II GmbH	50%	869	343	-	-	-
Residential Koln Grundstucks GmbH	50%	8.421	2.267	-	-	-
		20.162	8.384		2.397	1.497

(a) All the companies above are incorporated in Germany

(b) The principle activity of all the companies above is investing in real estate properties

(*) please refer to note 1(c) for the comparative figures

17. DERIVATIVE FINANCIAL INSTRUMENTS

		December 31,	
		2012	2011(*)
	Year of maturity	In thousands of Euro	
Liabilities			
Non-current portion	2016 - 2018	12.599	8.823
		12.599	8.823

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 20a).

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

	December 31,	
	2012	2011(*)
	In thousands of Euro	
Operating costs receivable	14.996	8.875
Receivables from related parties (note 24)	-	374
Rent and other receivables (a)	2.925	2.423
Tenancy deposits	2.986	1.449
Prepaid expenses	155	131
Others	3.032	-
	24.094	13.252
Non-current portion (note 13)	2.986	1.449
Current portion	21.108	11.803
	24.094	13.252

(a) Of which EURO 2.1M refers to rent receivables

The Group does not hold any collateral over the trading balances.

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 apartment. Past experience shows that the majority of the leases are long-term and therefore the deposits are presented in long-term assets.
The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

(*) please refer to note 1(c) for the comparative figures.

19. EQUITY

A. Share capital

	December 31			
	2012		2011 (*)	
	Number of shares	EURO in thousands	Number of shares	EURO in thousands
Authorised				
Ordinary shares of EURO 0,10 each	200.000.000	20.000	5.000.000	500
Issued and fully paid				
Balance as of January 1	5.000.000	500	5.000.000	500
Issuance of shares on 12 April 2012	45.000.000	4.500	-	-
Issuance of shares on 19 July 2012	5.500.000	550	-	-
Balance on December 31	55.500.000	5.550	5.000.000	500

Authorised 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.

Issued capital

(1) Upon incorporation on December 16, 2011 the Company issued to the subscribers 5.000.000 ordinary shares of EURO 0,10 each at par.

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.

(2) On July 19, 2012, the Company received net proceeds of EURO 14 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 usedfor the acquisition of additional real estate portfolio.

Share premium

The share premium derives directly from the capital increase which was effected during the year. The share premium cannot be distributed.

Other reserves

The other reserves except for the equity component related to the convertible bond (see note 20b) were shareholders loan that were converted to equity, therefore the other reserves can be distributed at any time.

(*) please refer to note 1(c) for the comparative figures.

20. LOANS AND BORROWINGS

A. Composition

	Nominal Interest rate Weighted average	Year of maturity	December 31, 2012	December 31, 2011(*)
			In thousands of Euro	
Long - term liabilities				
Bank loans	3.6%	2014 -2021	165.751	138.149
Other loans	7%		6.001	-
Total loans			171.752	138.149
Convertible bond (B)	8%	2017	95.920	-
			267.672	138.149
Short - term liabilities				
Bank loans	3.6%	2013	4.249	2.599
			4.249	2.599
Total			271.921	140.748

B. Convertible bond

1. General:

	December 31, 2012	December 31, 2011 (*)
	In thousands of Euro	
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	-
Amount classified as equity	(*) (134)	-
Accrued interest	1.804	-
Carrying amount of liability at 31 December 2012	97.724	-
Non-current portion	95.920	-
Current portion	1.804	-
	97.724	-

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

(*) please refer to note 1(c) for the comparative figures.

Condition:

On October 15, 2012, the Company successfully completed the placement of convertible bonds convertible into ordinary shares of the Company ("the Bonds") for an aggregate principal 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 the 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.

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 ltdwith Cyprus popular bank public co 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 six (6) months;

- not make or pay, and will procure that its Subsidiaries will not make or pay, any Dividend other than a Permitted Dividend (EURO 0,07 per share per year);

- at all times hold at least 90% of the ordinary shares in Grand city ltd;

- 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 favour of the Trustee, for the benefit of the Trustee and the Bondholders;

  Maintain 8 separate loans (without cross – collateral) with a maximum loan amount each of Euro 65m or 25% of total loans (whichever is the higher)

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21. TRADE AND OTHER PAYABLES

	December 31 2012	December 31 2011 (*)
	In thousands of Euro	
Trade and other payables	5.935	2.746
Prepayments received from tenants	15.326	9.995
Tenancy deposits (note 22)	3.077	1.600
Deferred income	561	473
Payables to related parties	-	373
	24.899	15.187
Non-current portion	3.077	1.600
Current portion	21.822	13.587
	24.899	15.187

22. OTHER LONG TERM LIABILITIES

	December 31 2012	December 31 2011 (*)
	In thousands of Euro	
Tenancy deposits (note 21)	3.077	1.600
Finance lease liability	2.516	-
Loan from associate undertakings (see note 24)	1.438	309
	7.031	1.909

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	In thousands of Euro
Balance as at January 1, 2011	369
Charged to consolidated income statements during the year	1.577
Balance as at December 31, 2011(*)	1.946
Balance as at January 1, 2012	1.946
Charged consolidated income statements during the year	343
Balance as at December 31, 2012	2.289

(*) please refer to note 1(c) for the comparative figures.

24. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) Receivables from related companies (Note 18)

		December 31,	
		2012	**2011 (*)**
Name	Nature of transactions	**In thousands of Euro**	
Other related companies	Trade	-	374
		-	374

(ii) Loans to associated undertakings

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Other associate undertakings	-	479
	-	479

(iii) Payables to related companies (Note 21)

		December 31,	
		2012	**2011 (*)**
Name	Nature of transactions	**In thousands of Euro**	
Other related companies	Trade	-	373
		-	373

(iv) Loans from associated undertakings

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Other associated undertakings	1.438	309
	1.438	309

(v) Loan from shareholders

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Loans from shareholders	-	18.793
	-	18.793

The loans from shareholders were provided with an interest rate of 8%. The loans were repaid during 2012.

(*) please refer to note 1(c) for the comparative figures

24. RELATED PARTY TRANSACTIONS (Continued)

(vi) Interest on loans from related parties

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Interest on loans from related party during the year	751	1.266
	751	1.266

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.

25. ASSETS / LIABILITIES HELD FOR SALE

During the reporting period, the Company 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 recognised on reclassification of the assets as held for sale.

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

	December 31,	
	2012	**2011 (*)**
	In thousands of Euro	
Assets classified as held for sale		
Investment property	10.320	5.400
Trade and other receivables	94	-
Cash	11	
Deferred tax	296	-
Total assets classified as held for sale	10.721	5.400
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	-

(*) please refer to note 1(c) for the comparative figures

26. 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 analyse 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 a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand 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 monitors on a continuous basis the ageing profile of its receivables.

(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 are 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	
		December 31,	
	Note	2012	2011
		In thousands of Euro	
Rent and other receivables	18	2.925	2.423

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

(*) please refer to note 1(c) for the comparative figures.

i. Impairment losses

The aging of trade and other receivables at the end of the reporting period that were unimpaired was as follows.

	December 31,	
	2012	2011
	In thousands of Euro	
Neither past due nor impaired	820	1.712
Past due 1–30 days	313	93
Past due 31–90 days	434	107
Above 90 days	1.358	511
	2.925	2.423

II. Cash and cash equivalents

The Group held cash and cash equivalents of EURO 80.977 thousand as of December 31 2012 (2011: EURO 8.158 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 object of minimising 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 2011 of financial liabilities, including estimated interest payments,the impact of derivatives and excluding the impact of netting agreements.

December 31, 2012

		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
	In thousands of Euro						
Non-derivative financial liabilities							
Secured 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

December 31, 2011

	Carrying amount	Contractual cash flows including interest					
		Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	In thousands of Euro						
Non-derivative financial liabilities							
Secured bank loans	140.748	176.528	3.465	7.911	8.485	8.820	147.847
Shareholders loan	18.793	19.357	-	-	-	-	19.357
Trade payables	2.746	2.746	2.746	-	-	-	-
Total	162.287	198.631	6.211	7.911	8.485	8.820	167.204

(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, December 31, 2012	Nominal amount, December 31, 2011
	In thousands of Euro	
Fixed rate instruments		
Fixed with swap, fixed	73.295	64.938
Variable rate instruments		
Cap, collar, variable	92.453	76.464
Total	165.748	141.402

(*) please refer to note 1(c) for the comparative figures.

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
	In thousands of Euro			
December 31, 2012				
Variable rate instruments	(924)	205	(924)	205
Cash flow sensitivity	(924)	205	(924)	205
December 31, 2011				
Variable rate instruments	(765)	95	(765)	95
Cash flow sensitivity	(765)	95	(765)	95

(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 analyses 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 liability that are not based on observable market data (unobservable inputs).

(*) please refer to note 1(c) for the comparative figures.

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	Level 1	Level 2	Level 3	Total
	In thousands of Euro			
December 31, 2012				
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, 2011				
Derivative financial instruments	-	8.823	-	8.823
Total liabilities	-	8.823	-	8.823

(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, 2012 and 2011 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 Group issued a convertible bond (note 20b) 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 six (6) 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.

27. COMMITMENTS

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

	December 31,	
	2012	2011
	In thousands of Euro	
Less than a year	1,150	-
2 to 5 year	4,897	-
Beyond 5 years	22,088	-
	28,135	-

28. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at 31 December 2012.

29. EVENTS AFTER THE REPORTING PERIOD

A. On February 20, 2013, S&P assigned the Company, a corporate rating and convertible bond rating for the bond of BB-, Ail with a stable outlook.
The stable outlook reflects the current liquidity position of the company and the estimate of cash production capacity from its current operations, among others factors,

B. On February 19, 2013, the Company received net proceeds of EURO 33,4 million from a second capital increase against contribution in cash. A total of 8,0 million new shares were placed at an issue price of EURO 4,46 as part of an international private placement to institutional investors. The funds are primarily intend to be used for the acquisition of additional real estate portfolio.

C. The company is at an advenced stage in discussions to purchase 3.000 units in several deals mainly in Berlin North Rhine – Westphalia and Nurenberg.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2012

APPENDIX A

The details of the significant Group entities are as follows:

Name	Country of incorporation	Principal activities	December 31, 2012 Holding %	December 31, 2011 (*) Holding %
Subsidiaries held directly by the Company				
Grand City Property Ltd. (Former Adminond Trading & Investments Limited)	Cyprus	Holding of investments	94,8	94,8

Significant subsidiaries held directly under Grand City Property Ltd.

Name	Country of incorporation	Principal activities	December 31, 2012 Holding %	December 31, 2011 (*) Holding %
Nimessa Investments Limited	Cyprus	Holding of investments	100%	100%
Mindoza Investments Limited	Cyprus	Holding of investments	100%	100%
Mansanu Investments Limited	Cyprus	Holding of investments	100%	100%
Sedoy Investments Limited	Cyprus	Holding of investments	100%	100%
Brencere Investments Limited	Cyprus	Holding of investments	100%	100%
Pahlia Limited	Cyprus	Holding of investments	100%	100%
Romeliaco Investments Limited	Cyprus	Holding of investments	100%	100%
Deprimus Limited	Cyprus	Holding of investments	100%	-
Trovemco Limited	Cyprus	Holding of investments	100%	-
Mavelianco Limited	Cyprus	Holding of investments	100%	
Matlisius Limited	Cyprus	Holding of investments	94%	-
Loseranco Limited	Cyprus	Holding of investments	94%	-
Residential Koln Grundstucks GmbH	Germany	Investing in real estate properties	-	100%
Residential Bielefeld I Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Bielefeld II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%

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Name	Country of incorporation	Principal activities	December 31, 2012 Holding %	December 31, 2011 (*) Holding %
Residential Braunschweig II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Braunschweig III Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Erkrath I Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Erkrath II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Dortmund II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Solingen II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Wuppertal Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Velbert Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Lunen Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
RGG Rohrdamm Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Bremen Grundstucks GmbH	Germany	Investing in real estate properties	100%	-
Awdess 1.Grundstucks GmbH	Germany	Investing in real estate properties	94%	94%
Residential Project Monchengladbach Grundstucks GmbH	Germany	Investing in real estate properties	94%	94%
Hartit Berlin Grundstucks GmbH	Germany	Investing in real estate properties	85%	-