GUTBURG IMMOBILIEN S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2015

GUTBURG IMMOBILIEN S.A.

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BOARD OF DIRECTORS' REPORT

The board of directors' report accompanies the information in the consolidated financial statements, prepared in accordance with IFRS adopted by the European Union and illustrates and explains the main aspects of the Group's economic and financial situation.

Overview

The Group's purpose is to directly or indirectly take ownership in participating interests in any enterprise in whatever form to administrate, manage, control or develop these ownerships and participating interests.

The Group took participating interest in eleven companies in 2007, the purpose of which is the purchase and sale of real estate properties as well as real estate management. Those companies invested in 2008 in real estate properties in Germany.

During the year 2015, the entities, in which the Group has participating interests, continued their strategy to renovate and lease the apartments and to enhance the attractiveness of the buildings and outdoor space to support the overall leasing activities.

During the financial year 2015, the Group generated rental and operating income of EUR 35,082 thousands. The Group's consolidated profit for the financial year ended at December 31, 2015 is EUR 39,961 thousands.

For management purposes, other important measurements are the adjusted equity ratio and the adjusted profit. The adjusted equity ratio is outlined in Note 4.2 of the consolidated financial statements.

The adjusted equity ratio adds to equity the deferred income tax liabilities, the accounting value of the subordinated instrument and adjusts for the fair value of derivative financial instruments.

- The deferred income tax liabilities on subordinated instrument are added back to equity as there is no situation which would lead to an actual tax payment. The deferred income tax liabilities on the fair value of investment properties would only lead to actual tax payments if a potential disposal was to be structured as an asset sale which is not of the intention of the management.
- The accounting value of the subordinated instrument is added because it represents subordinated capital.
- The adjustment for the fair value of the derivative financial instruments is made, because such instruments are entered into for hedging purposes and any gain or loss will revert to zero towards the maturity of the instrument. The management intends to hold these derivative financial instruments to maturity.

The adjusted equity ratio at December 31, 2015 and at December 31, 2014 were as follows:

	As at December 31,	
	2015	**2014**
	€'000	
Total equity	106,915	66,954
Subordinated instrument	1,415	1,256
Deferred income tax liabilities	31,271	24,813
Derivative financial instrument	5,462	6,124
Adjusted equity	**145,063**	**99,147**
Total assets	350,505	295,670
Adjusted equity ratio	**41,39%**	**33,53%**

The adjusted profit shows an operating result after interest and taxes, but before value adjustments from investment properties and derivative financial instruments, before refurbishments and investments and before deferred income tax expenses.

- The refurbishments and investments in the consolidated financial statements are mainly renovations of apartments in connection with new leasing activities.
- The value adjustments from investment properties and derivative financial instruments are excluded, because the value changes are – at least in the short term – determined by external market forces and not under control of the management.
- The deferred income tax expenses are excluded due to the same reasons as explained in the paragraph above.

The adjusted profit for the years 2015 and 2014 was as follows:

	For the year ended December 31,	
	2015	**2014**
	€'000	
Profit for the year	39,961	17,294
Net gain from change in fair value of investment properties	(44,928)	(22,359)
Net gain (2014: loss) from change in fair value of derivative financial instruments	(662)	6,921
Deferred income tax expenses	6,458	3,127
Expenses for refurbishments and investments	929	919
Adjusted profit for the year	**1,758**	**5,902**

Future development outlook

Going forward, the Group continues to build on its solid and stable cash flows to further develop its operational activities. Management intends to further grow net rental income through the re-letting of cancellations, the reduction of existing vacancies and selective rental increases. A continuous refurbishment and investment program on investment properties is applied to attract high quality tenants and to further increases the values of existing assets.

Activities in the field of research and development

During the year under review, the Group did not have any activity in the field of research and development.

Own shares

During the period under review, none of the Group's entities owned, directly or indirectly, any shares of Gutburg Immobilien S.A.

References to the notes of the consolidated financial statements

Information about the interest rate swaps can be found in note 12 'Derivative financial instruments'. The risk management and hedging is outlined in note 4 'Financial risk management'. Risks such as price risk, interest rate risk, credit risk, liquidity risk and foreign exchange risk are described in note 4.1 'Financial risk factors'.

Change in Ownership

During the year under review, Wateran Limited acquired 100% of Gutburg Immobilien S.A.'s shares. As of December 31, 2015 Wateran Limited has changed its name to Gutburg Holding Limited.

Other events occurred during the year

- The Group's investment property increased during the year to EUR 339,450 thousands (2014: EUR 290,590 thousands).
- The Swiss Franc has decreased during the year and made exchange loss of EUR 4,827 thousands.

Luxemburg, on the April 20, 2016.

Daniel Malkin	Nico Hansen
Director	Director

Audit report

To the Shareholder of
Gutburg Immobilien S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gutburg Immobilien S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of 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 judgment 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 Gutburg Immobilien S.A. and its subsidiaries as of 31 December 2015, 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 management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 20 April 2016

Marie-Elisa Roussel

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31,	
		2015	**2014**
		€'000	
ASSETS			
Non-current assets			
Investment property	6	339,450	290,590
Total non–current assets		**339,450**	**290,590**
Current assets			
Trade and other receivables	7	1,731	(*) 2,471
Cash and cash equivalents		9,324	2,609
Total current assets		**11,055**	**5,080**
TOTAL ASSETS		**350,505**	**295,670**

(*) Reclassified. See note 3.1

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

GUTBURG IMMOBILIEN S.A.

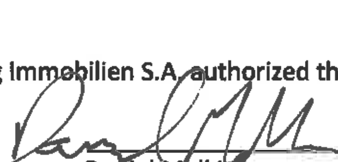
Consolidated financial statements as at December 31, 2015

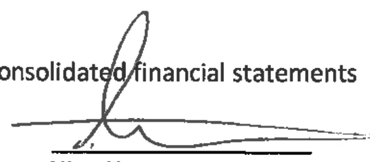
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at December 31, 2015	2014
		€'000	
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	9	5,437	5,437
Share premium and other reserves	9	(9,194)	(9,194)
Retained earnings		107,660	69,737
Total equity attributable to equity holders of the Company		**103,903**	**65,980**
Non-controlling interest		3,012	974
TOTAL EQUITY		**106,915**	**66,954**
LIABILITIES			
Non-current liabilities			
Subordinated instrument	10	1,415	1,256
Loans and borrowings	11	146,969	(*) 145,145
Straight bond	11	49,864	44,960
Deferred tax liabilities	13	31,271	24,813
Derivative financial instruments	12	5,462	6,124
Total non-current liabilities		**234,981**	**222,298**
Current liabilities			
Current portion of long term loans	11	5,529	(*) 3,509
Trade and other payables	8	1,699	1,701
Provisions and other liabilities	11	1,165	(*) 1,086
Current income tax liabilities		216	122
Total current liabilities		**8,609**	**6,418**
TOTAL LIABILITIES		**243,590**	**228,716**
TOTAL EQUITY AND LIABILITIES		**350,505**	**295,670**

(*) Reclassified. See note 3.1

The Board of Directors of Gutburg Immobilien S.A. authorized these consolidated financial statements to be issued on April 20, 2016





Daniel Malkin
Director

Nico Hansen
Director

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31, 2015	2014
		€'000	€'000
			(*)
Revenue	14	35,082	34,463
Capital gains, property revaluations and other income	6	44,928	22,359
Property operating expenses	15	(18,286)	(17,814)
Administrative and other expenses	16	(1,259)	(1,266)
Operating profit		**60,465**	**37,742**
Finance expenses	17a	(7,695)	(7,534)
Other financial results	17b	(4,920)	(8,364)
Net Finance expenses		**(12,615)**	**(15,898)**
Profit before tax		**47,850**	**21,844**
Current tax expenses	13	(1,431)	(1,423)
Deferred tax expenses	13	(6,458)	(3,127)
Tax and deferred tax expenses		**(7,889)**	**(4,550)**
Profit for the year		**39,961**	**17,294**
Other comprehensive income for the year		---	---
Total comprehensive income for the year		**39,961**	**17,294**
Attributable to:			
Equity holders of the Company		**37,923**	**16,412**
Non-controlling interest		**2,038**	**882**
		39,961	**17,294**

(*) Reclassified. See note 3.1

The notes on pages 13 to 38 are an integral part of these consolidated financial statements

GUTBURG IMMOBILIEN S.A.
Consolidated financial statements as at December 31, 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium and other reserves	Retained earnings	Total equity attributable to equity holders	Non-controlling interest	Total equity
	€'000					
Balance as at January 1, 2014	**5,437**	**(9,194)**	**54,071**	**50,314**	**132**	**50,446**
Profit for the year	---	---	16,412	16,412	882	17,294
Total comprehensive income for the year	**---**	**---**	**16,412**	**16,412**	**882**	**17,294**
Decrease in subordinated instrument, net of taxes	---	---	(746)	(746)	(40)	(786)
Balance as at December 31, 2014	**5,437**	**(9,194)**	**69,737**	**65,980**	**974**	**66,954**
Balance as at January 1, 2015	**5,437**	**(9,194)**	**69,737**	**65,980**	**974**	**66,954**
Profit for the year	---	---	37,923	37,923	2,038	39,961
Total comprehensive income for the year	---	---	**37,923**	**37,923**	**2,038**	**39,961**
Balance as at December 31, 2015	**5,437**	**(9,194)**	**107,660**	**103,903**	**3,012**	**106,915**

The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended December 31,	
	2015	**2014**
	€'000	
Cash flows from operating activities		**(*)**
Profit for the year	39,961	17,294
Adjustments:		
Capital gains, property revaluations and other income	(44,928)	(22,359)
Net finance expenses	12,615	15,898
Tax and deferred tax expenses	7,889	4,550
	15,537	15,383
Changes in working capital:		
Trade and other receivables	366	(203)
Trade and other payables	(2)	(942)
	15,901	14,238
Tax paid	(1,337)	(1,577)
Cash flows from operating activities	**14,564**	**12,661**
Cash flows from investing activities		
Capex	(3,932)	(1,231)
Sales of investment property	---	600
Cash flows from investing activities	**(3,932)**	**(631)**
Cash flows from financing activities		
Repayment of senior loans	(7,553)	(3,382)
Increase of new loans	11,241	---
Repayment of subordinated instrument	---	(1,146)
Net finance expenses paid	(7,598)	(7,429)
Cash flows used by financing activities	**(3,910)**	**(11,957)**
Net increase in cash and cash equivalents	**6,722**	**73**
Cash and cash equivalents at beginning of year	2,609	2,538
Exchange losses on cash and cash equivalents	(7)	(2)
Cash and cash equivalents at end of year	**9,324**	**2,609**

(*) See note 3.3
The notes on pages 13 to 38 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

1. GENERAL INFORMATION

Gutburg Immobilien S.A. (hereafter the "Company") was incorporated on May 30, 2013. Its registered office is established in Grand-Duchy of Luxembourg at the following address: 681, rue de Neudorf, L-2220 Luxembourg.

The Company and its subsidiaries (hereafter the "Group") hold a portfolio of residential investment properties in Germany.

On July 2015, 100% of the Company's shares and nPECs were purchased by Wateran Limited. During 2015, Wateran Limited has changed its name to Gutburg Holding Limited.

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 have been approved for issue by the Board of Managers on April 20, 2016.

2. ADOPTION OF NEW AND REVISED STANDARDS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015. Those which may be relevant to the Group are set out below. The Group has not planed to early adopt these standards.

2.1 Standards applied by the Group during the year

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Annual improvement to IFRSs – 2010-2012 Cycle and 2011-2013 Cycle. These improvements have no material impact on the consolidated financial statements of the Group.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material for the Group.

2.2 Standards not yet effective, relevant to the Group

- IFRS 9, 'Financial Instruments' (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted, subject to EU endorsement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

- IFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted, subject to EU endorsement.

- IFRS 16, 'Leases, specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, subject to EU endorsement, provided the new revenue standard, IFRS 15 'Revenue from Contracts with Customers', has been applied, or is applied at the same dates as IFRS 16.

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1. Basis of preparation

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

The consolidated financial statements of the Group have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property and derivative financial instruments that have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

Certain 2014 amounts disclosed in the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of cash flows and in the notes to the financial statements have been reclassified in order to conform to 2015 presentation. These reclassifications do not have any impact on total assets, total equity, total liabilities or net income.

3.2. Statement of comprehensive income

The Group has elected to present a single statement of comprehensive income and presents its income and expenses by function.

3.3. Cash flows statement

The Group has changed the presentation of its statement of cash flows as compared to prior year and has elected to use the indirect method.

3.4. Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

For acquisitions of subsidiaries not meeting the definition of a business, 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 acquisition. Such transactions or events do not give rise to goodwill.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All the Group companies have 31 December as their year end. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated when necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

3.5. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decisions-maker is the Management of the Group.

The Group holds properties located in Germany and rents out flats, parking spaces, basements and utility rooms. The rental units are mainly private tenancies. The Group manages its portfolio as only one segment as the investment properties are very homogeneous and all located in Germany. Therefore no information on sub-segments is presented in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

3.6. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations are performed annually and form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of the current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

All repairs and maintenance costs are expensed to the consolidated statement of comprehensive income during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recorded in the consolidated statement of comprehensive income. Investment property is derecognised when it has been disposed.

Where the Group disposes of a property at fair value in an arm’s length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income as capital gains, property revaluations and other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

3.7. Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of impairment is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

3.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on demand with banks.
Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost.

3.9. Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets.

3.10. Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These accounts comprise operating expenses payable and professional fees payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

3.11. Borrowings and subordinated instrument

Borrowings and subordinated instrument are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance expenses in the consolidated statement of comprehensive income over the financial period of the borrowings using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Borrowings and subordinated instrument are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated balance sheet date.

Interest expense related to the borrowings is reported as finance expenses in the consolidated statement of comprehensive income.

3.12. Current and deferred income tax

The tax expense for the year comprises current and deferred income tax, property tax and net wealth tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in Other Comprehensive Income (OCI) or equity – in which case, the tax is also recognised in OCI or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the consolidated balance sheet regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.13. Leases

Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position (see Note 6). See Note 3.14 for the recognition of rental income.

3.14. Revenue recognition

Revenue includes rental income, and income from direct property expense recoverable from tenants.

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

The Group does not provide any incentives to its tenants.

Income from property operating expense recoverable from tenants is recognised in the financial period in which the expenses are incurred.

3.15. Net finance expenses

Finance income comprises interest income on funds invested. Finance expenses comprise interest expense on loans and borrowings and bond.

"Other financial results" comprise changes in the time value of liabilities, exchange rate differences, profit or losses on derivative financial instruments, loan arrangement fees and other one-time payments.

Net finance expenses are recognised in the consolidated statement of comprehensive income as they accrue using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

3.16. Other expenses

Administrative expenses include professional fees, advertising and office expenses. They are recognised in the consolidated statement of comprehensive income in the period in which they are incurred on an accrual basis.

Property operating expenses recoverable from tenants or borne by the Group include maintenance and repair costs, utilities, property management fees and other expenses directly associated with the investment properties. They are recognised in the consolidated statement of comprehensive income on an accrual basis in the period in which they are incurred or for property management fees when the services are rendered.

3.17. Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets or liabilities at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate swaps for hedging purposes (economic hedge).

The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance expenses. Gains or losses on derivatives are recognised in the statement of comprehensive income in other financial results. Interest income and expense on derivative financial assets are included in the statement of comprehensive income in net finance expenses.

3.18. Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (hereafter the “functional currency”). The Group’s functional currency and presentation currency is the Euro (hereafter “EUR”). The functional currency of the subsidiaries of the Group is EUR.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income for the year.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the consolidated statement of comprehensive income within other financial results. All other foreign exchange gains and losses are presented net in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks including market risk (interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The exposure to these risks and the Group's management of them are set out below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted (see details below).

Foreign exchange risk
Since 2013, the Group is exposed to foreign exchange risk, primarily with respect to the Swiss franc. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.The Group has financial liabilities and cash and cash equivalents in Swiss francs. The table below summarises the Group's exposure to foreign currency risk at December 31, 2015 and at December 31, 2014.

	As at December 31,			
	2015	**2014**	**2015**	**2014**
	CHF '000	CHF '000	€'000	€'000
Cash and cash equivalents	62	15	57	13
Financial assets	**62**	**15**	**57**	**13**
Straight bond (*)	56,306	56,306	51,705	46,809
Financial liabilities	**56,306**	**56,306**	**51,705**	**46,809**

(*) Including interest payable and excluding transactions costs amounting to EUR 676 thousand as at December 31, 2015 (EUR 763 thousand as at December 31, 2014)

No other assets or liabilities were denominated in any other currency than EUR at December 31, 2015 and at December 31, 2014.

The Group manages foreign currency risk on a group basis and may enter into currency risk reducing transactions.

The following paragraph presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the financial position date, with all other variables held constant.

At December 31, 2015, if the Swiss franc had weakened/strenghtened by 2%, profit before income tax would have been higher/lower by EUR 1,033 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

At December 31, 2014, if the Swiss franc had weakened/strenghtened by 15%, profit before income tax would have been higher/lower by EUR 7,019 thousand.

Price risk
The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk (refer to Note 5a).

Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets at December 31, 2015 and at December 31, 2014, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Trade and other receivables as well as trade payables are interest free and with a term of less than one year, so it is assumed that there is limited interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk used to arise from borrowings (Note 11). The senior loans issued at variable rates expose the Group to cash flow interest rate risk. The Group manages this risk by assessing the interest rate environment and using interest rate swaps. Such interest rate derivatives have the economic effect of exchanging floating rates for fixed rates. At December 31, 2015 and December 31, 2014, after taking into account the effect of interest rate swaps, nearly 100% of the senior loans with variable rates are at a fixed rate.

The senior loan issued at fixed rates as well as the straight bond expose the Group to fair value interest rate risk (see Note 11).

Credit risk
Credit risk arises from the Group's contracts with tenants and banks and their possible failure to pay rent or advance loans.

At December 31, 2015, the Group holds properties located in Germany including flats, parking spaces, basements and utility rooms. The rental units are mainly private tenancies.

The Group is managing the credit risk in limiting the amount of rental credit exposure from any single source. The Group has polices in place to ensure that services are made to customers with an appropriate credit history and the Group monitors the aging profile of its accounts receivables on a continuous basis. The Group writes off specific collection losses and establishes a general allowance for impairment in respect of receivables once it has no longer expectation for such collection. The significant number of rented flats implies a very low concentration of credit risk.

Loan and finance transactions are only transacted with high credit quality financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

The Group's maximum exposure to credit risk by class of financial asset other than derivatives is as follows:

	As at December 31,	
	2015	**2014**
	€'000	
Cash and cash equivalents	9,324	2,609
Trade and other receivables	1,731	2,471

The fair value of the cash and cash equivalents, trade and other receivables as at December 31, 2015 and as at December 31, 2014 approximates their carrying values.

The major banks involved in the Group's operations are only high credit quality and reputable financial institutions.

No credit limits were exceeded during the years presented, and management does not expect any losses from non-performance of these counterparties.

The analysis by credit quality of trade and other receivables is presented in Note 7.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group's liquidity risk management ensures that it meets its obligations as they fall due.

The Group's liquidity position is monitored on a monthly basis by management and is reviewed quarterly by the Board of Directors. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period between the balance sheet and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2014 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

As at December 31, 2015 is as follows:

	Carrying amount	Total	Less than 1 year	After 1 year and within 5 years	After more than 5 years
			€'000		
Subordinated instrument	1,415	41,106	----	---	41,106
Loans and borrowings	152,498	177,629	10,396	147,303	19,930
Straight bond	51,029	57,744	2,401	55,343	---
Trade and other payables	1,699	1,699	1,699	---	---
Total:	**206,641**	**278,178**	**14,496**	**202,646**	**61,036**

As at December 31, 2014 is as follows:

	Carrying amount	Total	Less than 1 year	After 1 year and within 5 years	After more than 5 years
			€'000		
Subordinated instrument	1,256	41,106	---	---	41,106
Loans and borrowings	(*) 148,654	179,682	(*) 8,703	(*) 34,364	(*) 136,615
Straight bond	(*) 46,046	54,410	(*) 2,172	(*) 52,238	---
Trade and other payables	1,701	1,701	(*) 1,701	---	---
Total:	**197,657**	**276,899**	**12,576**	**86,602**	**177,721**

(*) Reclassified. See note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

4.2. Capital risk management

During 2015, the Group's strategy was to focus on deleveraging and to maintain the adjusted equity ratio above 25%.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of an adjusted equity ratio. This ratio is calculated as adjusted equity divided by total assets. Adjusted equity is calculated as total equity (as shown in the consolidated statement of financial position) plus subordinated instrument, plus derivative financial instruments and net deferred income taxes liabilities.

Deferred income tax liabilities on investment property are included in the adjusted equity calculation, because in a share deal the deferred income tax liability would not materialise. Deferred income tax liabilities on subordinated instrument are included in the adjusted equity calculation, because while these deferred taxes represent a difference between the instrument tax basis and carrying value as per the consolidated balance sheet, they will never lead to any actual tax payments or tax benefits but will reverse over time. Derivative financial instruments are included in adjusted equity, because such instruments are used to reduce the interest rate risk of the portfolio. Any positive or negative market value would reverse upon the maturity of the instrument.

The adjusted equity ratios at December 31, 2015 and December 31, 2014 are as follows:

	As at December 31,	
	2015	**2014**
	€'000	
Total equity	106,915	66,954
Subordinated instrument	1,415	1,256
Deferred income tax liabilities	31,271	24,813
Derivative financial instruments	5,462	6,124
Adjusted equity	**145,063**	**99,147**
Total assets	350,505	295,670
Adjusted equity ratio	**41,39%**	**33,53%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

4.3. Fair value estimation

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets and liabilities that are measured at fair value as at December 31, 2015 are classified as follows:

	Level 1	**Level 2**	**Level 3**
		€'000	
Derivative financial liabilities	---	5,462	---

The Group's financial assets and liabilities that are measured at fair value as at December 31, 2014 are classified as follows:

	Level 1	**Level 2**	**Level 3**
		€'000	
Derivative financial liabilities	---	6,124	---

The fair value of the derivative financial instruments is calculated using the discounted cash flow analysis based on observable yield curves.

The carrying values of trade receivables less impairment provision, other receivables and trade and other payables are assumed to approximate their fair values (Level 2).

For the fair value of the subordinated instrument (level 3), please see note 10.

For the fair value of the straight bond (level 1), loans and borrowings (level 2), please see note 11.

There were no transfers between the levels for the years ended 31 December 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions underlying management's estimation of fair value of investment properties

The carrying values of the investment properties was EUR 339,450 thousand as at December 31, 2015 (EUR 290,590 thousand as at December 31, 2014). Movements in investment properties are further detailed in Note 6.

All investment properties were valued as at September 30, 2015 and December 31, 2014 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The management reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between the management and the independent valuer at least once every year.

The management reviewed its assumptions for the period between September 30, 2015 and December 31, 2015 and believes that there are no material changes in the assumptions used in the valuations of the Company's investment property that would lead to a material difference in the carrying value of the investment properties as at December 31, 2015.

At each financial year end, Company management:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

The fair market value of investment properties is categorised as level 3 in the fair value measurement hierarchy. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no transfers between the hierarchy levels during the year 2015 (none in 2014).

The valuation was determined using discounted cash flow projections based on significant unobservable inputs such as estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates and exit rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

The following principle assumptions were used in determining the fair value of investment properties:

	As at December 31,	
	2015	**2014**
Market rent (per sqm per month)	EUR 3.60 – EUR 5.70	EUR 2.50 – EUR 5.50
Length of vacant periods	Mainly 3-6 months	3 – 12 months
Discount rates	5,75% - 7,00%	5,25% - 7,00%
Exit Cap rates	4.75% - 7.00%	6.00% - 10,25%

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

Were the market rentals assumed in the discounted cash flow analysis to increase or decrease by 5% from management's estimates, the carrying amount of investment properties that are valued by the discounted cash flow method (herafter the "DCF method") would be an estimated EUR 25,686 thousand higher or EUR 24,380 thousand lower, respectively (2014: 16,750 thousand, higher and 16,950 thousand lower, respectively). The best evidence of fair value is current prices in an active market for similar lease and other contracts.

Would the length of vacant periods increase or decrease by one month from management's estimates, the carrying amount of investment properties that are valued by the DCF method would be an estimated EUR 4,333 thousand lower or EUR 4,592 thousand higher, respectively (2014: 2 170 thousand lower and 2 200 thousand higher, respectively).

Would the discount rate used in the DCF analysis increase or decrease by 0.5%, the carrying amount of investment properties would be an estimated EUR 12,743 thousand lower or EUR 13,140 thousand higher, respectively (2014: 10,910 thousand lower and 11,250 thousand higher, respectively).

There were no changes in the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

6. INVESTMENT PROPERTIES

Movements during the years ended 2015 and 2014 were as follows:

	For the year ended December 31,	
	2015	**2014**
	€'000	
Balance as at January 1	**290,590**	**267,600**
Net gain from fair value adjustment on investment property	44,928	(*) 22,269
Capital expenditures	3,932	(*) 1,231
Disposals	---	(510)
Balance as at December 31	**339,450**	**290,590**

(*) Reclassified.

In 2014, there was a realized gain on investment property sold amounted to EUR 90 thousands.

All investment properties have been pledged as collateral on the senior loans (Note 19).

The principal assumptions underlying the management's estimation of fair value are further detailed in Note 5.

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	As at December 31,	
	2015	**2014**
	€'000	
Trade receivables on rents	940	1,276
Recoverable amounts from debtors	791	1,195
	1,731	**2,471**

The following table shows the amounts past due but not impaired:

	As at December 31,	
	2015	**2014**
	€'000	
Amounts past due between one and three months	63	224
Amounts past due for more than three months	433	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

8. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	As at December 31,	
	2015	**2014**
	€'000	
Accounts payables	1,157	(*) 960
Accrued expenses	465	506
Amounts due to tenants	77	235
Total	**1,699**	**1,701**

(*) Reclassified.

9. SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

The Company was incorporated on May 30, 2013 with share capital of EUR 124 thousand. On June 14, 2013 and July 8, 2013, the share capital of the Company was increased to EUR 4,810 thousand and to EUR 5,437 thousand and a share premium of EUR 41,712 thousand.

In December 2013, share premium amounting to EUR 40,780 thousand was returned to shareholders in the form of non interest bearing preferred equity certificates (see Note 10 'Subordinated instruments'). As at December 31, 2015, remaining share premium amounts to EUR 932 thousand.

In May 2013, as part of a restructuring, the difference between the fair value of the consideration paid and the related carrying value, representing EUR 10,126 thousand has been recognized in the consolidated statements of changes in equity as a reduction under 'other reserves'.

As at December 31, 2015, the subscribed capital of the Company amounts to EUR 5,437 thousand divided into 271,866 shares with a par value of EUR 20 each. All shares have been subscribed and fully paid up. Each share gives its holder the right to one vote and the right to attend any shareholders' meetings. Dividends are distributed pro-rata of the shares outstanding. There were no dividends declared or paid during the years 2015 or 2014.

Until July 2018, the Board of Directors is authorized to increase the share capital, in one or several times, in cash and/or in kind, for a total amount of EUR 500 thousand by the issue of 25,000 new shares having a par value of EUR 20 each and having the same rights as the existing shares.

As at December 31, 2015, there is no conditional capital, no limitations on the transferability of the shares in the Company, no nominee registrations, no voting-rights or representation restrictions and no convertible bonds or options outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

10. SUBORDINATED INSTRUMENT

The nPECs are non interest bearing and have a mandatory redemption date on the 30th (nPECs issued by the Company) and 49th (nPECs issued by Perseus Real Estate Investment S. à r. l.) anniversary date of the issuance. At the option of the Company, nPECs can be redeemed in cash and at par value. The holders of the nPECs are not entitled to any voting rights in respect of the Company by reason of their ownership of the nPECs.

The nPECs are not convertible into common stock or any other stock of the Company.

These nPECs, subject to the conditions as described in the Terms and Conditions, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, rank prior to all subordinated securities (i.e. all shares of the capital stock of the Company, whether outstanding on the date hereof or issued in the future; provided, however, that subordinated securities do not include the nPECs) but are subordinated to all other present and future obligations of the Company whether secured or unsecured.

After the date of issuance and as long as any nPEC is outstanding, the Company will not issue any shares of capital stock having, upon or following the liquidation, winding up, dissolution, bankruptcy or insolvency of the Company, any right to payment prior to the payment in full of the par value on each nPEC to the holders.

The table below shows the movements in total number of nPECs and nominal amount for both nPECs issued by Gutburg Immobilien S.A. and Perseus Real Estate Investment S.à r.l.:

	Gutburg Immobilien S.A.			Perseus Real Estate Investment S.à r.l.		
	Number of nPECs	Par value /NPECs (in €)	Total nominal amount of nPECs (in €'000)	Number of nPECs	Par value /NPECs (in€)	Total nominal amount of nPECs (in €'000)
Total Issued/outstanding as at December 31, 2013	**407,799,000**	**0.10**	**40,780**	**147,212,400**	**0.01**	**1,472**
Redeemed in 2014	(10,874,640)	0.10	(1,088)	(5,844,116)	0.01	(58)
Total outstanding as at 31 December 2014	**396,924,360**	**0.10**	**39,692**	**141,368,284**	**0.01**	**1,414**
Redeemed in 2015	---	---	---	---	---	---
Total outstanding as at 31 December 2015	**396,924,360**	**0.10**	**39,692**	**141,368,284**	**0.01**	**1,414**

The nPECs were initially recognised at fair value. The fair value was estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments. The market rate used was 12,7% for the nPECs issued by the Company and 11,0% for the nPECs issued by Perseus Real Estate Investment S. à r. l. The difference between proceeds received and fair value was recognised in equity as a capital contribution. Subsequently, the nPECs were stated at amortised cost with interest expense (finance costs) recognised over the period of the debt using the effective interest method. As at December 31, 2015 the amortised cost value was EUR 1,415 thousand (December 31, 2014: EUR 1,256 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

The fair values (Level 3), estimated by discounting the future contractual cash flows at the market interest rate that would have been available to the Group for similar instruments are as follows.

	As at December 31,	
	2015	**2014**
	€'000	
Fair value of the subordinated instrument	1,097	4,940

The market rate used as at December 31, 2015 was 13,7% (December 31, 2014: 7.5%).

Would the market rate used increase or decrease by 5%, the fair value of the subordinated instrument would be an estimated EUR 769 thousand lower or EUR 2,788 thousand higher, respectively.

11. LOANS AND BORROWINGS

As at December 31, 2015 and 2014 borrowings are as follows:

	Maturity	*weighted average interest*	As at December 31,	
			2015	**2014**
			€'000	
Bank loans	2020-2022	3.35%	141,249	148,654
Other loans	2025	2.87%	11,249	---
Straight bond (*)	2018	4.75%	51,029	46,046
Total			**203,527**	**194,700**

(*) including interest and transaction costs.

The fair value of the floating rate loans approximates their carrying values at the dates of the consolidated statement of financial position.

The fair value of the fixed rate bank loan is EUR 50,084 thousand at December 31, 2015 and EUR 51,965 thousand at December 31, 2014.

Based on the closing prices from the Swiss Stock Exchange, the fair value of the bond, with its notional CHF 55,000,000, was 105.45% at December 31, 2015 and 104.5% at December 31, 2014.

	As at December 31,	
	2015	**2014**
	€'000	
Fair value of the bond	53,296	47,780

All loans are denominated in Euro. The bond is denominated in CHF.
Refer to Note 19 for details of pledges and guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

12. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments results during the year amounted to a gain of euro 662 thousand (2014: loss of euro 6.9 million) and recorded as other financial results in the consolidation statement of comprehensive income.

The Group entered into an interest rate swap agreement effective on June 30, 2012 for a notional amount of EUR 11,527 thousand at December 31, 2015 (EUR 12,109 thousand at December 31, 2014) and a maturity of June 30, 2022. The Group entered into another interest rate swap agreement effective on March 28, 2013 for a notional amount of EUR 83,151 thousand at December 31, 2015 (EUR 88,611 thousand at December 31, 2014) and a maturity of December 31, 2020.

The Group uses interest rate swaps ("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 11).

The derivative financial instruments are presented on a fair value basis. The calculation of the fair value 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.

13. CURRENT AND DEFERRED TAX

	For the year ended December 31,	
	2015	**2014**
	€'000	
Current income tax expenses	366	394
Property tax and net wealth tax expenses	1,065	1,029
Deferred income tax expenses	6,458	3,127
Total	**7,889**	**4,550**

The Company and its subsidiaries are tax payers in Luxembourg and subject to Luxembourg taxation (applicable tax rate for 2014 and 2015 was 29.22%). The activity associated with investment properties located in Germany is subject to taxation in Germany (applicable tax rate for 2014 and 2015 was 15.825%). Such activity is tax exempt in Luxembourg.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

The income tax expense on the Group profit before tax differs from the theoretical amount that would arise using the applicable statutory tax rate as follows:

	For the year ended December, 31	
	2015	2014
	€'000	
Profit before income tax	**47,850**	**21,844**
Tax calculated at applicable tax rate – 29,22%	(1,743)	(509)
Tax calculated at applicable tax rate – 15,825%	8,347	3,570
Property tax and net wealth tax	1,065	1,029
Utilisation of previously unrecognised deferred tax assets	(1,118)	(491)
Increase of unrecognised deferred tax assets	1,837	639
Adjustment to prior year recognised deferred tax assets	(499)	312
Income tax expense	**7,889**	**4,550**

The weighted average applicable income tax rate was 14.12% (2014: 13.38%). The increase was caused by an increase of the fair value of the investment property and the higher losses in Luxemburg due to the FX rate conversion.

The analysis of deferred tax assets and liabilities is as follows:

	As at December 31,	
	2015	2014
	€'000	
Deferred Tax Asset		
Loss carried forward	483	261
Loss on derivative financial instruments	864	969
Total	**1,347**	**1,230**
Deferred Tax Liability		
Subordinated instrument	11,598	11,644
Fair value of investment properties	20,969	14,399
Straight bond	51	---
Total	**32,618**	**26,043**
Net Deferred Tax Liability	**31,271**	**24,813**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

Unrecognised deferred tax assets

As at December 31, 2014, deferred tax assets in Germany for a total of EUR 526 thousand associated with decrease in fair value of investment properties for two subsidiaries were not recognised in these consolidated financial statements due to uncertainty of their recoverability. As at December 31, 2015, deferred tax liabilities in Germany were amounting to 607 thousand.

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. In Luxembourg, the Group has accumulated tax losses of EUR 29,715 (2014: EUR 23,663 thousand) to carry forward against future taxable income; these tax losses can be carried forward indefinitely. Deferred tax assets relating to these unused tax losses amounting to EUR 8,683 (2014: EUR 6,914 thousand) have not been recognised in these consolidated financial statements due to uncertainty of their recoverability.

Similarly in Germany, the Group has accumulated tax losses of EUR 7,258 (2014: EUR 6,512 thousand) to carry forward against future taxable income; these tax losses can be carried forward indefinitely. Deferred tax assets relating to these unused tax losses amounting to EUR 1,149 (2014: EUR 1,031 thousand) have not been recognised in these consolidated financial statements due to the uncertainty of their recoverability.

The deferred tax liabilities on subordinated instrument have been recognised as required by IAS 12. However such deferred tax liabilities/assets will never lead to any actual tax payments or tax benefits but will reverse over time as the effective interest is recognised on the Group's consolidated comprehensive income until maturity of the instrument or early repayment of such instrument.

As required by IAS 12, deferred tax liabilities on the increase in fair value of investment properties have been recognised under the assumption that the carrying value of the Group's investment property would be realised by sale at the end of use. If the Group were to structure the sale of the investment properties via the disposal of the subsidiary holding the investment properties (i.e. through a share deal), no such tax liability would materialise.

The gross movement on the net deferred tax liabilities is as follows:

	For the year ended December 31,	
	2015	**2014**
	€'000	
Balance as at January 1	24,813	22,011
Charge to profit	6,458	3,127
Charge to equity	---	(325)
Balance as at December 31	**31,271**	**24,813**

There are no material deferred tax liabilities or deferred tax assets which are recoverable within the 12 month period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

14. REVENUE

Revenue is comprised of the following:

	For the year ended December 31,	
	2015	**2014**
	€'000	
Rental and operating income	35,082	34,463
	35,082	**34,463**

The Group leases out its investment properties under operating leases that can be cancelled by the tenants or the Group with a 3 months' notice.

There are no material future aggregate minimum rental receivable under non-cancellable operating leases.

No tenant or tenant group pays more than 5% of total revenue.

15. PROPERTY OPERATING EXPENSES

Property operating expenses recoverable from tenants are comprised of expenses for warm and cold water, heating, garbage removal, drainage and other costs.

Property operating expenses borne by the Group are comprised of expenses for property management, maintenance, advertising and marketing, solvency checks and other costs.

16. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses are comprised of the following:

	For the year ended December 31,	
	2015	**2014**
	€'000	
		(*)
Salaries and social security fees (**)	162	162
Consulting, legal and tax advisor fees	763	908
Audit fees (***)	139	120
Office charges and other expenses	195	76
Total	**1,259**	**1,266**

(*) Reclassified. See note 3.1.

(**) The Group employed two persons full time during the year ended December 31, 2015 and 2014.

(***) Besides the audit fees, EUR 5 thousand (2014: EUR 5 thousand) has been paid to the Group's independent auditor for additional non-audit related services provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

17. NET FINANCE EXPENSES

Net finance expenses are comprised of the following:

	For the year ended December 31,	
	2015	**2014**
	€'000	
		(*)
a. Finance expenses		
Finance expenses from financial institutions, net	5,245	5,367
Finance expenses from affiliated undertakings	8	-
Finance expenses from straight bond	2,442	2,167
Total	**7,695**	**7,534**
b. Other financial results		
Changes in fair value of financial assets and liabilities, net	(511)	7,065
Net loss from foreign currency exchange	4,827	842
Other finance expenses	604	457
Total	**4,920**	**8,364**

(*) Reclassified. See note 3.1.

18. RELATED PARTIES

The parent company is Gutburg Holding limited. The parent company is consolidated in Grand City Properties S.A.'s consolidated financial statements.

The balances with related parties as at December 31, 2015 and as at December 31, 2014 are as follows:

	As at December 31,	
	2015	**2014**
	€'000	
Loans from related parties (see note 11)	11,249	---
Subordinated instruments (see note 10)	1,415	1,256

The transactions with related parties for the years ended December 31, 2015 and December 31, 2014 are as follows:

	For the year ended December 31,	
	2015	**2014**
	€'000	
Interest on loans from related party during the year	8	---
Finance expenses on Subordinated instrument	159	144

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 (CONTINUED)

19. PLEDGES AND GUARANTEES

The financed properties located in Germany, the Company's subsidiaries bank accounts (as first ranking), rental income and accounts receivables have been pledged in favor of the German credit institutions to secure the senior loans.

20. SUBSIDIARIES

The subsidiaries included in the scope of consolidation are as follows:

Perseus Real Estate Investment, Société à responsabilité limitéé
Perseus Immobilien Gesellschaft 1, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 2, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 3, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 4, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 5, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 6, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 7, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 8, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 9, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 10, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 11, Société à responsabilité limitée
Perseus Immobilien Gesellschaft 13, Société à responsabilité limitée

The Company owns 94.9% of Perseus Real Estate Investment S.à r.l. All other subsidiaries are fully owned by Perseus Real Estate Investment S.à r.l. The registered offices of all subsidiaries are established in Grand-Duchy of Luxembourg at the following address: 681 rue de Neudorf, L-2220 Luxembourg.

During 2015, the Group sold *Perseus Immobilien Gesellschaft 12,* Société à responsabilité limitée.

There were no other changes during the year.

21. SUBSEQUENT EVENTS

There are no subsequent events that need to be disclosed or reflected in the consolidated financial statements as of and for the year ended December 31, 2015.