**Testatsexemplar**

Peach Property Group (Deutschland) AG
Köln

Konzernabschluss zum 31. Dezember 2013

Bestätigungsvermerk des Abschlussprüfers

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Konzernabschluss für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2013

Consolidated Financial Statements Peach Property Group (Deutschland) AG 2013 in line with International Financial Reporting Standards (IFRS)

Consolidated Income Statement

in TEUR	Note	2013	2012
Income from lease of investment property	6	3'376	3'144
Change in fair value of investment property	7	4'662	8'475
Income from development and realtor services	8	2'476	2'282
Other operating income	9	367	209
Operating income		**10'881**	**14'110**
Expense from investment property	6	-966	-638
Change in fair value of investment property	7	-22	-49
Personnel expenses	10	-1'503	-1'132
Sales and marketing expenses	11	-1'313	-647
Other operating expenses	12	-1'697	-2'749
Depreciation and amortisation		-37	-30
Operating expenses		**-5'538**	**-5'245**
Operating result		**5'343**	**8'865**
Financial income	13	729	627
Financial expense	13	-3'375	-2'650
Result before tax		**2'697**	**6'842**
Income tax	14	-788	-2'107
Result after tax		**1'909**	**4'735**
Result after tax attributable to			
- Owners of the parent		1'821	4'489
- Non-controlling interests		88	246

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

in TEUR	Note	2013	2012
Result for the year		**1'909**	**4'735**
Transactions charged to other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Hedge Accounting	26	274	-701
Income Tax	14	-69	200
Other comprehensive income for the year, net of tax		**205**	**-501**
Total comprehensive income for the year		**2'114**	**4'234**
Comprehensive income attributable to			
- Owners of the parent		2'015	4'013
- Non-controlling interests		99	221

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

in TEUR	**Note**	**31.12.2013**	**31.12.2012**
Assets			
Current Assets			
Cash and cash equivalents	15	4'688	5'788
Trade receivables	16	2'408	491
Financing receivables	17	16'960	7'010
Other receivables	18	244	1'175
Prepaid expenses	19	141	225
Development property	20	11'425	0
Total current assets		**35'866**	**14'689**
Non-current Assets			
Investment property	7	51'001	45'971
Equipment		32	50
Intangible assets		1	4
Financing receivables		0	9
Deferred tax assets	27	1'180	430
Total non-currents assets		**52'214**	**46'464**
Total Assets		**88'080**	**61'153**

The notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (continued)

in TEUR	**Note**	**31.12.2013**	**31.12.2012**
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable	21	975	1'040
Advance payments	22	2'866	0
Other payables	23	1'702	1'607
Accrued expenses	24	995	1'700
Current income tax liabilities		200	278
Current mortgages	25	13'814	651
Current financing liabilities	25	12'859	3'351
Current provisions		190	0
Total current Liabilities		**33'601**	**8'627**
Non-current Liabilities			
Non-current mortgages	25	19'599	28'493
Non-current financing liabilities	25/26	21'206	14'068
Deferred tax liabilities	27	4'354	2'759
Total non-current Liabilities		**45'159**	**45'320**
Total Liabilities		**78'760**	**53'947**
Equity			
Share capital	28	5'000	5'000
Share premium	28	1'572	1'572
Other reserves	28	-282	-476
Retained earnings	28	2'618	797
Non-controlling interests		412	313
Total Equity		**9'320**	**7'206**
Total Liabilities and Shareholder's Equity		**88'080**	**61'153**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

in TEUR	Note	2013	2012
Profit before tax		2'697	6'842
Adjustments for:			
- Revaluation of investment property	7	-4'640	-8'426
- Interest income	13	-729	-618
- Interest expenses	13	3'375	2'651
- Other non-cash effective items		-111	-1'889
- Depreciation		37	30
- Changes in provisions		190	-35
Changes in working capital:			
- Trade receivables	16	-1'917	360
- Other receivables	18	-109	977
- Prepaid expenses	19	83	-168
- Development properties	20	-9'752	0
- Accounts payable	21	-65	633
- Other payables and advance payments	22/23	3'076	36
- Accrued expenses	24	-705	1'447
Interest paid and other financial expenses		-1'545	-1'090
Taxes paid		-88	-185
Net cash generated from operating activities		**-10'203**	**565**
Purchase of investment property	7	0	-24'028
Investments in investment property	7	-391	0
Purchases of equipment		-13	-14
Short term loans granted to related parties	17	-9'950	-3'490
Interest received		158	416
Cash flow from investment activities		**-10'196**	**-27'116**
Proceeds from mortgages	25	4'929	21'246
Repayment of mortgages	25	-643	-374
Proceeds from loans/financing liabilities	25	8'559	0
Repayment of loans/financing liabilities	25	-500	-3'642
Proceeds from bond	25	7'216	11'188
Costs related to bond	25	-262	-491
Cash flow from financing activities		**19'299**	**27'927**
Decrease/increase in cash		**-1'100**	**1'376**
Cash at the beginning of the year	15	5'788	4'411
Cash at the end of the year	15	**4'688**	**5'788**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of changes in Shareholder's Equity

in TEUR		attributable to the equity holders of the company						
		Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling interests	Total
Balance at 1 January 2012		**25**	**430**	**0**	**1'283**	**1'738**	**0**	**1'738**
Result for the year	28				**4'489**	**4'489**	**246**	**4'735**
Comprehensive income								
Hedging reserve	26		0	-666	0	-666	-35	-701
Income tax	14		0	190	0	190	10	200
Other comprehensive income		0	0	-476	0	-476	-25	-501
Total comprehensive income		**0**	**0**	**-476**	**4'489**	**4'013**	**221**	**4'234**
Transactions with owners								
Share capital increase	28	4'975	0	0	-4'975	0	92	92
Capital contribution	28		1'142	0	0	1'142	0	1'142
Total transactions with owners		**4'975**	**1'142**	**0**	**-4'975**	**1'142**	**92**	**1'234**
Balance at 31. December 2012		**5'000**	**1'572**	**-476**	**797**	**6'893**	**313**	**7'206**

in TEUR		attributable to the equity holders of the company						
		Share Capital	Share Premium	Other Reserves	Retained Earnings	Total	Non-controlling interests	Total
Balance at 1 January 2013		**5'000**	**1'572**	**-476**	**797**	**6'893**	**313**	**7'206**
Result for the year	**28**				**1'821**	**1'821**	**88**	**1'909**
Comprehensive income								
Hedging reserve	26		0	260	0	260	14	274
Income tax	14		0	-66	0	-66	-3	-69
Other comprehensive income		0	0	194	0	194	11	205
Total comprehensive income		**0**	**0**	**194**	**1'821**	**2'015**	**99**	**2'114**
Transactions with owners								
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31. December 2013		**5'000**	**1'572**	**-282**	**2'618**	**8'908**	**412**	**9'320**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Business activities

Peach Property Group (Deutschland) AG (the Company) and its subsidiaries (the Group) invest in development properties in the upscale residential segment and provide development and construction management services to other companies of the Peach Group (Peach Group Companies) outside the consolidation scope. The Group further holds high-yielding investment properties. The active management of these properties provides regular cash flows and allows for the stabilization of the annual income.

The activities of the Group encompass the entire value chain; from the evaluation of new locations to development, construction management as well as sales and marketing. In selected areas the Group is supported by external parties. With respect to the development properties, the Group is involved in the development of premium locations in Berlin and Hamburg and is developing projects in Berlin and Dortmund on its own accounts.

The parent company is Peach Property Group (Deutschland) AG, Im Zollhafen 24, 50578 Cologne. Peach Property Group (Deutschland) AG was founded in September 2008 and is registered since October 2012 under its current name under the register number HRB 76638.

Peach Property Group (Deutschland) AG is a 100% subsidiary of Peach German Properties AG (Peach Germany), Stansstad, Switzerland. Peach German Properties is a 100% subsidiary of Peach Property Group AG (Peach), the ultimate parent of the Group. Peach has its registered office in Zurich and its shares are listed on the SIX Swiss Exchange.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with "International Financial Reporting Standards" (IFRS) as adopted by the European Union.

These consolidated financial statements were authorized by the Board of Directors of the Company on 23 May 2014.

Consolidation is based on audited or reviewed financial statements with 31 December year end. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The consolidated financial statements were prepared under the historical cost convention and under the assumption that the Company's ability to continue as a going-concern is not impaired. Any departures from this principle are expressly specified in Notes 2.2 to 2.22. This includes particularly investment properties as well as derivative financial instruments which are recorded at fair value.

For financial statements in accordance with IFRS, management is required to exercise its judgment in the process of applying the Group's accounting policies. All assessments and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that seem reasonable under the given circumstances. Significant estimates and assumptions used for the valuation of assets and liabilities are disclosed in note 4.

Changes in accounting policies in the financial year 2013

Peach has adopted the following new and amended IFRS standards and interpretations in these annual consolidated financial statements:

- Amendment to IAS 1, „Financial statement presentation" – presentation of other comprehensive income
  The main change resulting from these amendments is the requirement to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group has amended its OCI Statement in this regard.

- IAS 19, „Employee benefits"
  The amendments eliminate the corridor approach and require all actuarial gains and losses to be charged/credited to the OCI. They replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. Additionally past service costs have to be charged to the income statement the moment

they arise. The amended standard had no impact, as all employees of the Group are covered by a defined contribution plan.

- IFRS 13, „Fair value measurements“
  The new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for the use across IFRSs. The fair value is defined as the price that would be received to sell assets in an orderly transaction between market participants at the measurement date (ie. an exit price). For a non-financial asset, the highest and best use of the asset has to be implied. IFRS 13 was mostly applied for the valuation of the investment property.

  For all investment property it was assessed in a first step, if the current use represents the „highest and best use“ or if alternative uses and/or modifications were possible and would lead to higher income. In a second step the external valuation expert valued the properties per period end taking into consideration the new IFRS 13 guidelines. Specifically for commercial properties alternative uses were taken into consideration. With the exception of “Erkrath Retail”, the reassessment of the properties did not lead to value adjustments that were based on the newly applied „highest and best use“ principle.

  For the portfolio Erkrath Retail technical, legal and financial analyses led to the conclusion that the extension of the building by four floors would be feasible and financially interesting. The consideration of this possibility led to a value increase of TEUR 2’830. Further details are included in note 7.

- Amendment to IFRS 7, „Financial instruments – offsetting of assets and liabilities“
  The amendment requires disclosures for financial instruments that are offset in line with IAS 32 and for existing rights of set-off that do not meet the accounting criteria for offsetting. As the Group does not hold any netting agreements the amendment had no impact on the consolidated financial statements of the Group.

- IFRS 10, „Consolidated financial statements“ (early adoption)
  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group owns of all its subsidiaries 100% or 94.9% respectively and has full control. The Group holds no interest in companies that would require consolidation under the new standard. Therefore IFRS 10 had no impact on the consolidated financial statements of the Group.

- IFRS 11, „Joint arrangements“ (early adoption)
  The new standard redefines the assessment of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. As the Group does not hold any joint arrangements, the new standard had no impact on the consolidated financial statements of the Group.

- IFRS 12, „Disclosures of interest in other entities“ (early adoption)
  IFRS 12 provides guidance with regard to disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The new standard will lead to more detailed disclosures. Further details are included in note 29.

Additionally the following further changes or improvements became applicable and have been applied by the Group without having a material impact on the consolidated financial statements:

- Amendment to IAS 12, - "Income Taxes", on deferred tax – recovery of underlying assets
- IAS 27 (revised) - "Separate financial statements" (early adoption)
- IAS 28 (revised) - "Associates and joint ventures" (early adoption)
- Annual improvement project 2009 – 2011 with regard to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34
- IFRIC 20 – "Stripping costs in the production of a surface mine"

Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published but are not yet effective and were not early adopted in these consolidated financial statements.

Standard / Interpretation	Effective date	Impact	Time of adoption
Amendments to IAS 32 - "Presentation - Offsetting of financial assets and liabilities" Clarifies some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.	1 January 2014	1	Financial year 2014
Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities These amendment mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics.	1 January 2014	1	Financial year 2014
Amendment to IAS 36, "Impairment of assets" - on recoverable amount disclosure The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014	1	Financial year 2014
Financial Instruments: Recognition and Measurement Amendment to IAS 39 "Novation of derivatives" The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets sprecified criteria.	1 January 2014	1	Financial year 2014
IFRIC 21, "Levies" This is an interpretation of IAS 37. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity decribed in the relevant legislation that triggers the payment of the levy.	1 January 2014	1	Financial year 2014
Annual Improvement Project 2010 - 2012 Annual Improvement Project 2011 - 2013	1 July 2014	1	Financial year 2015
IFRS 9 - "Financial instruments" and IFRS 7 - "Financial Instruments: Disclosures" IAS 39 replacement project.	1 January 2018	3	open
1) No significant impact on the consolidated financial statements.			
2) Will require additional disclosures or changes in the presentation of the consolidated financial statements.			
3) Impact on the consolidated financial statements not yet finally assessed.			

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Group and deconsolidated from the date control has ceased. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group, effective at the date control was transferred. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition–by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Goodwill is measured as the excess of 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 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 exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement. The accounting treatment of goodwill is explained in the intangible assets section.

b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Joint ventures and associated companies

Under IFRS 11 joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of the investor. Associates are investments over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50%. Investments in joint ventures and associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement from the date of acquisition. Dividends received from joint ventures and associates are deducted from the investment. The Group did not hold any joint ventures or associated companies in the current or previous reporting period.

2.3 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 ("the functional currency"). The consolidated financial statements are presented in Euro (EUR), which is also Peach Property Group (Deutschland) AG's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities held in foreign currency are converted at the period end exchange rate. 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 income statement.

The results and financial position of all the Group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency according to the modified closing date method as follows: Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet (equity is translated at historic rates); income and expenses for each income statement are translated at average exchange rates, and all resulting exchange differences are recognised in other comprehensive income within equity until disposal. Foreign exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. The Group does so far not hold any investments in subsidiaries reporting in other currencies than the Euro.

2.4 Revenue recognition

Income from the sale of development property is included in "income from development property". Revenues are recorded in accordance with IAS 18, i.e. when risks and rewards are transferred. For self-constructed development properties, this is usually the case after finalization of the construction work and entry of the sale in the land register. At the same time accumulated capitalized cost of the development and construction work is expensed over "expense from development property". The cost of single units (e.g. apartments) is defined by calculating the pro-rata cost using o/oo of the share of the property handed over.

Marketing and sales costs are expensed in the income statement as incurred.

Income from development and realtor services comprises development and construction management services provided to Peach Group Companies as well as realtor services provided to third parties as well as to Peach Group Companies.

For general development and construction activities, client-specific contracts are recorded by applying the percentage of completion method in line with IAS 11. Client-specific contracts are sales agreements, where the buyer is able to determine the major structural elements of the design of the real estate before construction begins or specify major structural changes once construction is in progress. Income from client-specific contracts for services rendered during the year is recorded in relation to the contract costs incurred during the financial year compared to the total estimated contract costs. Expected future project losses are recognised in the assessment of a contract and charged to the income statement immediately after they become apparent. On the other hand, additional services, price overruns and premiums are recognised in the assessment of a contract as soon as they are accepted by the client. No development activities were accounted for in line with IAS 11 in the financial years 2013 and 2012.

Development and construction management services are invoiced in line with the contractually agreed terms as the services are provided in line with IAS 18.

Any reduction in revenue, such as rebates or discounts directly related to the services rendered, is deducted from income.

Income from lease in investment property is accounted for in line with IAS 17 at the contractual due date. Any agreed lease free periods are spread on a linear basis over the agreed contract time.

Other income mainly contains capitalized own services. Own services for development properties or investment properties are invoiced based on time reports and contractually agreed hourly rates to Group companies and are capitalized through the account “own services”.

Interest income is accounted for using the effective interest method.

Dividends are accounted for as soon as a legal entitlement exists.

2.5 Development property

Development property includes the refurbishment of existing as well as the construction of new buildings. Development projects are subsequently sold.

Land as well as development and construction costs are accounted for at the lower of cost or net realizable value. Development costs encompass third party as well as own services provided. Own services are capitalized if assumed recoverable. Costs incurred for which the Group acts as the developer due to contractual obligations, but where no sales contract or general contract agreement has been signed yet, are recorded at cost.

Direct borrowing costs are capitalized. Indirect borrowing costs are capitalized on a pro-rata basis according to their proportionate relation to items of development properties.

Costs related to projects where a signed sales contract or general contract agreement is in place, are charged to the income statement when the development property has been completed and sold.

For client-specific contracts, i.e. contracts where the buyer is able to determine the major structural elements of the design of the real estate before construction begins or specify major structural changes once construction is in progress, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (percentage of completion method).

2.6 Investment property

Self-constructed or purchased residential or commercial properties that are held for long-term rental yields or for capital appreciation and that are not occupied by the Group, are classified as investment properties. Investment property also includes properties that are being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value will become determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed.

The fair values are determined at least on an annual basis by external valuation specialists who hold recognized and relevant professional qualifications. The valuations are performed using the discounted cash flow method. Any changes to the fair value as well as relating deferred taxes are recorded in the income statement.

Where the Group disposes of an investment property at an arm's length transaction, the carrying value is adjusted to the transaction price and the adjustment is recorded in the income statement within gain or loss from fair value adjustment.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to development property (inventory). A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

With regard to critical estimates taken in the fair value assessment of investment properties we refer to note 4.

2.7 Equipment

Equipment is recorded at historical cost less accumulated depreciations and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the Group will profit from future economic benefits associated with the item and that the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other cost for equipment is recorded in the income statement.

Depreciations are recorded on a straight-line basis over the assets' estimated useful lives as follows:

Fixtures	10 years
Furniture	5 years
IT equipment	3 years
Vehicles	4 years
Other equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised in the income statement. Equipment is derecognised at the time of disposal or if it is determined that no future economic benefits associated with the item are expected to flow to the entity.

2.8 Intangible assets

Goodwill is measured as the excess of 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 equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to cash-generating units (usually a single unit) for the purpose of impairment testing. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In the financial years 2013 and 2012 no goodwill was present in the Group's books.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and implement specific software. These costs are amortized on a straight-line basis over their estimated useful life of five years.

2.9 Impairment of equipment, intangible assets and development properties

Equipment and intangible assets
Assets with infinite lives or assets not yet ready for use are not subject to periodic depreciation or amortizations. An impairment test is performed at least on an annual basis.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indicators exist, the recoverable amount of the asset is determined by means of an impairment test. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, usually a single entity). An impairment loss is recognised for the amount by which the asset's (or the cash-generating units) carrying amount exceeds its recoverable amount.

Development property
At the end of each reporting period, the book value of the development properties valued at acquisition or construction cost is subject to an impairment test. Therefore, the net realisable value comprising the estimated selling price less additional foreseeable construction, financing and selling costs will be assessed. In addition to the estimates made by the entity itself, appraisal reports by an independent property surveyor are obtained by the Group. Valuations are carried out according to the DCF method.

An impairment loss is recognised for the amount by which the carrying amount exceeds the net realizable value.

Non-financial assets, with the exception of goodwill, that suffered an impairment loss in the past are reviewed for a possible reversal of the impairment at each reporting date.

2.10 Financial Instruments

Financial instruments are classified at “fair value through profit or loss”, “loans and receivables” and “other liabilities”. The Group determines the classification of its financial instruments at initial recognition based on its intended use.

Currently no financial instruments classified at “fair value through profit or loss” are held.

Financial instruments classified at “fair value through profit or loss” are initially accounted for at their fair value including transaction cost. Financial instruments classified as “loans and receivables” are initially recognised at fair value, transaction costs are expensed. Financial liabilities accounted for as “other liabilities” are initially recorded at fair value, transaction costs are deducted from their value. “Loans and receivables” as well as “other liabilities” are subsequently carried at amortized cost using the effective interest method.

Financial instruments are derecognised when the rights and obligation to receive or provide cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

For financial assets carried at amortized cost the Group assesses at each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For “loans and receivables”, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks. They are disclosed at nominal values.

2.12 Trade receivables, other receivables and financial receivables

Receivables are classified as "loans and receivables". They are initially recognised at fair value and subsequently valued at amortized cost using the effective interest method, less provision for impairment. For receivables falling due within 12 months this usually represents the nominal value of the receivable. If collection is expected 12 months after the period end the receivables are classified as non-current receivables. Impairments for trade and other receivables are charged to other expenses; impairments for financial assets are posted to financial expenses.

2.13 Derivative financial instruments

Derivative financial instruments are classified as "fair value through profit and loss".

The Group designates certain derivative instruments to hedge a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). Currently the Group only hedges variable interest rates of financing agreements for investment properties.

The fair values of the derivative instruments used for hedging purposes are disclosed in note 26. Movements of the hedging reserve in other comprehensive income are shown in note 14.

The effective share of the changes in the fair value of a derivative financial instrument used for hedging purposes is recognised in other comprehensive income. The ineffective part, however, is directly recognised in the financial result of the income statement. The amounts recognised in other comprehensive income are recycled over the income statement in the reporting period the forecasted base transaction becomes effective.

The profit or loss from the hedging instrument (spread) is charged to financial income or expense when the derivative is a designated hedge for an investment property. Interest rate spreads are capitalized together with the borrowing cost of the underlying transaction if the instrument is a designated hedge for a development property.

2.14 Accounts payable and other payables

Accounts payable and other payables are classified as "other liabilities". Payables are classified as current liabilities if payment is due within one year after the reporting date. The amortized cost value for such payables usually represents its nominal value. Payables due after more than 12 months are presented as non-current liabilities.

2.15 Financial liabilities

Financial liabilities are classified as "other liabilities". Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and depreciated over the contract time of the facility using the effective interest method.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, development and construction of qualifying assets (development and investment properties) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Provisions

Provisions are recorded if:

- 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
- the amount can be reliably estimated.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation, taking into account any significant risks and uncertainties.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2.18 Current and deferred income taxes

Income taxes include current and deferred income taxes. Income taxes are recorded in the income statement, except for income tax on transactions directly recorded in other comprehensive income or directly in equity. In such cases, income tax is also recognised in other comprehensive income or equity, respectively.

The current income tax charge is calculated as the expected income tax due on the relevant taxable income. The calculation is based on the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for on temporary differences arising in the following cases: the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and investments in subsidiaries, if it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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 only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

For retained profits of subsidiaries, associates or interests in joint ventures that cannot be transferred without tax consequences, a deferred income tax liability is recognised, if a transfer of profits is planned in the foreseeable future.

2.19 Pension plan

All employees of the Group are employed in Germany and are covered by a public defined contribution plan (gesetzliche Rentenversicherung). The Group does not offer a company-specific solution. Employer's contributions are paid into the statutory regulated pension fund. Employees have no direct entitlements towards the employer. Consequently no provision is recorded for such obligations.

2.20 Share capital

The share capital is comprised of all issued registered shares. Dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders. Transaction costs directly attributable to the issue of new shares are immediately deducted, net of tax, from share premium.

2.21 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Segment reporting

IFRS 8 requires the determination of segments as well as the presentation of segment information to be based on the same information used internally by management (management approach). IFRS 8 defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Development and management of properties is the only operating segment of the Group. A detailed description of the operating segment is included in note 5.

3. Financial risk management

3.1 Financial risk factors

Due to its business activities, the Group is exposed to various financial risks: market risk, credit risk and liquidity risk.

The principles and compliance of risk management is monitored by the Audit and Risk Committee as well as the Board of Directors of Peach. Risk management focuses on the identification, description, management, monitoring and control of risks of defaults, interest rates, foreign currencies and liquidity.

Market risks

a) Foreign exchange risk
There is only a very limited exposure to foreign exchange risk as all the components of the Group are domiciled in Germany; the same is valid for its activities. Transactions in currencies other than EUR only relate to transactions with Peach Group Companies. However, loans received from and payables to related parties (Peach Group Companies) are all denominated in EUR. The current set up only led to foreign exchange losses of TEUR 8 (prior year TEUR 0) in the current reporting period.

b) Interest rate risk
The interest rate risk of the Group mainly arises from the long-term financing of the investment and development properties.

The mortgages for the development and investment properties bear fixed as well as variable interest rates. If the Group enters financing facilities that bear variable interest rate rates the risk is often hedged with derivative instruments (swaps/caps). As per year end, taking into consideration the hedging instruments, all mortgages for investment properties bear fixed interest rates. The building loan for “Living 108” in Berlin bears a variable rate of EURIBOR + 3.5%.

Trade and other receivables as well as trade and other liabilities do not bear interest rates and are usually due within 12 months.

The financial instruments bear the following interest rates:

in TEUR	**31.12.2013**	**31.12.2012**
Financial assets, interest rate up to 3.00%	13'047	3'319
Financial assets, interest rate up to 6.00%	3'913	3'691
Total interest bearing financial assets	**16'960**	**7'010**
Financial liabilities, interest rate up to 3.00%	27'581	24'411
Financial liabilities, interest rate up to 4.00%	12'842	8'084
Financial liabilities, interest rate up to 7.00%	22'227	13'367
Financial liabilities, interest rate up to 20.00%	4'400	0
Total interest bearing financial liabilites	**67'050**	**45'862**

The financial assets bearing interest of 3% are toward Peach Group Companies. The financial assets bearing interest of 6% are toward a joint venture of Peach German Properties AG.

The financial liabilities bearing interest rates up to 3% contain financing payables toward Peach Group Companies in the amount of TEUR 7'011 (prior year: TEUR 3'351). The financial liabilities with an interest rate up to 7% contain the bond that bears fixed interest of 6.6%.

The position financial liabilities with an interest rate up to 20% include a loan with mezzanine character that includes a success rate. This loan is due for repayment in June 2014. For further details refer to note 26.

Interest rate sensitivity of financial instruments with fixed rates
The Group does not record any fixed-rate financial instruments at fair value. Consequently, a change in interest rates would have no impact on the statement of comprehensive income.

The Group holds interest rate swaps and caps that are valued at fair value, for which hedge accounting is applied. Changes in fair value are, as far as the hedges are effective, directly charged to other comprehensive income and have therefore no impact on the income statement of the Group.

Interest rate sensitivity of financial instruments with variable rates
Without taking into consideration the hedging instruments, the financial instruments bearing variable interest rates are the mortgages of "Erkrath Retail" and "Erkrath Wohnen". The increase / decrease of the interest rate by 5% would impact the financial result by TEUR 23 (prior year: TEUR 24).

An increase or decrease of the interest rate of development properties does not have an immediate impact on the income statement of the Group since borrowing costs are capitalized in line with IAS 23. An increase/decrease of the interest rate by 5% would have a positive/negative impact on the capitalized development cost of TEUR 34.

Credit risk

Default risk is the risk that a client or a counterparty of a financial instrument is not able to pay their contractual obligations, which would result in financial loss for the Group. Default risks are mainly related to trade and financial receivables as well as cash and cash equivalents.

To minimize default risks related to cash and cash equivalents, the Group has invested its short-term bank accounts with top rated, high quality financial institutions (at least Rating BBB+).

The risk of outstanding receivables from lessees is minimized by regular credit-worthiness tests and ongoing monitoring of outstanding positions. Overall the default risk per unit is limited. Development and construction management services are only provided to Peach Group Companies as well as a joint venture of the Parent. These receivables are covered by the respective development projects. The same is valid with regard to the outstanding loan receivables.

The maximum default risk corresponds to the carrying amounts of the individual financial assets amounting to TEUR 24'300 (prior year TEUR 14'473) at 31 December 2013. TEUR 13'047 (prior year TEUR 3'319) thereof represent short-term receivables from Peach Group Companies. The default risk of these amounts is considered to be remote. A detailed overview of financial instruments is provided in note 3.4.

Liquidity risk

Liquidity risk is the risk that the Group cannot settle its financial obligations when they fall due. The future liquidity development is analysed by means of rolling cash flow forecasts which are continuously updated.

The following table shows the contractual due dates of the Group’s financial liabilities. The table does not include the short-term financial liabilities toward Peach Group Companies in the amount of TEUR 7’011 (prior year TEUR 3’351) since these amounts are considered to be equity from a Group perspective:

in TEUR	**0 - 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**>5 years**	**Total**
2013						
Accounts payable	975	0	0	0	0	**975**
Other payables	914	595	193	0	0	**1'702**
Accrued expenses	980	15	0	0	0	**995**
Current mortgages	429	429	13'975	0	0	**14'833**
Current financial liabilities	1'706	4'658	0	0	0	**6'364**
Non-current mortgages	8	8	16	14'816	7'951	**22'799**
Bond	464	464	929	23'538	0	**25'395**
Derivative instruments	0	0	0	427	0	**427**
2012						
Accounts payable	678	362	0	0	0	**1'040**
Other payables	1'221	229	157	0	0	**1'607**
Accrued expenses	1'411	289	0	0	0	**1'700**
Current mortgages	242	242	785	0	0	**1'269**
Non-current mortgages	76	76	152	23'500	8'241	**32'045**
Bond	317	317	633	17'938	0	**19'205**
Derivative instruments	0	0	0	0	701	**701**

In the table the contractually agreed repayment dates are reflected. The building loan for “Living 108” is disclosed under current mortgages reflecting the current classification of the development property.

Liquidity is managed by short- and medium-term liquidity planning.

3.2 Capital risk management

According to the investment policies of the Audit and Risk Committee, Peach aims to attain an equity ratio of 40% in the long term. This is as well applicable for the Group. Loans received from Peach Group Companies are included in the calculation.

The equity ratio at 31 December 2013 and for the prior year was calculated as follows:

Equity at IFRS Values		
in TEUR	**2013**	**2012**
Equity	9'320	7'206
Total loans from Group companies	7'011	3'351
Total balance sheet	88'080	61'153
Equity ratio	**19%**	**17%**

Equity at market values [1]		
in TEUR	**2013**	**2012**
Equity at market value	10'845	7'206
Total loans from Group companies	7'011	3'351
Total balance sheet at market value	89'595	61'153
Equity ratio	**20%**	**17%**

1 Based on the valuation of the external valuation expert

Further information with regard to equity is disclosed in note 28.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques. These may, for example, include methods such as current transaction prices for similar instruments, quoted market prices or dealer quotes for similar instruments or discounted cash flow calculations to estimate the present value of the estimated future cash flows of a financial instrument or other methods.

The carrying amounts less impairment provisions of trade receivables and accounts payable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of the bond issued as per 31 December 2013 (level 1) amounted to TEUR 21’721 (prior year TEUR 14’577) compared to the book value (without capitalized transaction cost) of TEUR 21’940 (prior year: TEUR 14’725). The fair values of the other long term liabilities represent approximately the book values as per period end.

Financial instruments that are measured in the balance sheet at fair value are reported according to the following 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 or indirectly (level 2);
- Inputs for the asset or liability that are not based on observable market data (level 3).

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
in TEUR				
Assets				
Derivatives as hedging instruments	0	0	0	**0**
Liabilities				
Derivatives as hedging instruments	0	427	0	**427**

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
in TEUR				
Assets				
Derivatives as hedging instruments	0	9	0	**9**
Liabilities				
Derivatives as hedging instruments	0	701	0	**701**

The derivative hedging instruments are the interest rate cap for “Erkrath Retail” as well as the interest rate swap for “Erkrath Wohnen”. The market values of the derivative financial instruments are based on the bank valuations as per 31 December 2013.

Disclosures with regard to investment property at fair value through profit or loss are included in note 7.

At 31 December 2013 as well as in the prior year the Group did not hold any Netting Agreements that would require disclosure.

3.4. Categories of financial instruments

The following table shows the carrying amounts of all financial instruments for each category:

in TEUR	**2013**	**2013**	**2012**	**2012**
	Fair Value	Book Value	Fair Value	Book Value
Loans and receivables				
Cash and cash equivalents	4'688	4'688	5'788	5'788
Trade receivables	2'408	2'408	491	491
Financial assets	16'960	16'960	7'019	7'019
Other receivables	244	244	135	135
	24'300	**24'300**	**13'433**	**13'433**
Financial liabilities recorded at amortised cost				
Accounts payable	975	975	1'848	1'848
Other payables	1'702	1'702	799	799
Current mortgages	13'814	13'814	651	651
Current financial liabilities	12'859	12'859	3'351	3'351
Non-current mortgages	19'599	19'599	28'493	28'493
Non-current financial liabilities	20'559	20'779	13'219	13'366
	69'508	**69'728**	**48'361**	**48'508**
Financial assets for hedging purposes				
Derivative financial instruments	0	0	9	9
Financial liabilities for hedging purposes				
Derivative financial instruments	427	427	701	701

With the exception of the bond (Level 1, non-current financial liabilities) all financial instruments are level 2 financial instruments.

4. Critical accounting estimates and assumptions

Preparation of consolidated financial statements in accordance with IFRS requires the Group to make assumptions concerning the future and to make certain judgements and estimates, which have a direct influence on the values reported in the balance sheet and statement of comprehensive income. These assumptions, judgements and estimates are based on experience values and other factors that are deemed appropriate under the prevailing circumstances. Assumptions are reviewed continuously. Changes in estimates which have an impact on the consolidated financial statements are recorded in the statement of comprehensive income in the period in which the estimate was adjusted.

The balance sheet and statement of comprehensive income items where estimates and assumptions are critical and which therefore carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Development property

The book value of the development property at 31 December 2013 amounts to a total of TEUR 11'425 (prior year TEUR 0).

The land value amounts to TEUR 5'595. Development cost containing services from third parties, borrowing cost as well as capitalized own services amount to TEUR 5'830. Land as well as development cost is capitalized at cost. As per year end development cost is compared to the net realizable value. The amount exceeding the net realizable value is expensed through the income statement.

The net realizable value is defined as residual value by an external valuation expert at least on an annual basis by means of the DCF method. The residual value represents the difference amount between realizable sales and expected development cost as of the valuation date.

The valuation for all objects is at least performed per 31 December 2013 and takes into consideration parameters such as macro location (location, price per m^2), micro location, strategy (sale/rent) as well as basic data as utilization, development process and deadlines. Development cost are included based on general contractor contracts as well as other work awarded, budgeted own services as well as sales cost. All provided input data is benchmarked by the independent valuation expert.

Discounting bases on a risk adjusted real interest rate. Basis is a risk-free interest rate adjusted for real estate specific factors such as real estate risk (immobility of the capital), location and quality of the property as well as further adjustments if required. For the valuation as per 31 December 2013 a discount rate of 3.9% was applied for the property "Living 108". For further details refer to note 20.

Investment property

The fair value of the investment property at 31 December 2013 amounts to a total of TEUR 51’001 (prior year TEUR 45’971).

The fair value is determined by use of the DCF method. Net income per property is taken into consideration and is adjusted for its individual risks and rewards and discounted to its present value using a risk and market adjusted discount rate.

The development of the fair values of investment properties is dependent on various factors (as the renewal of lease contracts, vacancies, operating and maintenance expenses), value increasing investments (increase in leases, positive impact on vacancies), local market conditions (lease levels, vacancies) as well as changes in the capital markets (discount rates).

Considerations with regard to lease income
Current lease values and contractual conditions per property represent the base for the DCF calculation. After the end of the contract lease time market rents with an indexation of 80% are taken into consideration. Incoming payments are assumed to be received quarterly in advance for commercial leases and monthly in advance for residential leases. With regard to the owner’s operating expenses, it is assumed that individual utilities statements are recorded so that the utilities costs that are to be borne by lessees can be passed on appropriately.

Operating and maintenance expenses
The operating and maintenance expenses consider the current shape of the property and are evaluated using benchmarks as well as empirical values. They are included into the calculation for the first ten years in full, and from the 11th year to the extent that the investments are value-preserving

Refurbishment
The short-, mid- as well as long-term refurbishment costs are key values in the DCF valuation. Generally refurbishment costs are taken into consideration based on the approved investment budgets per property. Those values are, however, compared to benchmarks by the independent valuation specialist and adjusted if required. For the time period that exceeds the long term investment budget a lifecycle consideration is applied to conserve the substance on a long-term basis.

Investment property under development/construction
For investment property under development, factors such as status/availability of the building permit, status of the work in progress and development risks are included in the DCF calculation. Additionally, time and cost to completion as well as estimated revenue streams after completion are taken into consideration. Latest planning data and cost estimates are provided to the external valuation expert and are included in the valuation.

Discount factor
The discount rate is based on a risk-adjusted interest rate. The rate is determined starting from a risk-free interest rate, and then adjusted for property-related risk factors such as the property risk (capital immobility), location and quality of the property, as well as any further adjustments. The fair value calculation at 31 December 2013 is based on an average discount rate of 5.44% (prior year: 5.46%).

A sensitivity analysis is included in note 7.

Deferred tax assets

All of the Group's accumulated losses brought forward have been capitalized. At 31 December 2013, accumulated losses resulting in a deferred tax asset of TEUR 1'180 (prior year TEUR 430) were capitalized. Management used judgment with respect to future taxable profits in order to capitalize the accumulated losses.

Deferred tax liabilities and income taxes

At 31 December 2013, the Group has deferred tax liabilities of TEUR 4'354 (prior year TEUR 2'759). TEUR 4'526 (prior year TEUR 2'774) of this amount are related to the change in fair value of investment properties. The Group calculates the deferred taxes by taking into account the projected holding period of each investment property. If the effective holding period differs from the estimated period, the tax burden in the event of the sale of a property may differ significantly from the deferred taxes recorded.

5. Segment reporting

Management has determined the operating segment on the basis of the internal reporting to the CEO of the ultimate parent, Peach Property Group AG (Group CEO), the key decision-maker in the Company and the total Peach Group.

The Group CEO defines business operations and oversees the internal reporting to assess the performance and resource allocation. The Group has only one operational segment, the development and management of properties. Property development includes the acquisition of land, the development, construction and sale of property. Main operations include evaluation of property, project planning, financing and sales and customer management.

The objects developed by the Group are located in city centres or their close proximity in Germany. The Group's customers are either the acquirers of residential property, lessors of residential or retail property or related parties (Peach Group Companies) that acquire the services of the Group for the development or construction of their objects.

Income from lease of investment property of approximately TEUR 940 (prior year: TEUR 870) are derived from a single external customer.

6. Income and expense from lease of investment property

in TEUR	2013	2012
Target income from lease of investment property	3'608	3'345
Loss of earnings (vacancies, collection loss)	-232	-201
Total income from lease of investment property	**3'376**	**3'144**
Expense from lease of investment property	-932	-511
Expense from vacancies of investment property	-34	-127
Total expenses from lease of investment property	**-966**	**-638**

2013
in TEUR

Investment properties	Target income	Loss	Effective income	Gross Margin[1]	Expense	Net Margin[2]
Munster, D-Munster	1'257	-81	1'176	9.4%	-496	6.9%
Erkrath Retail, D-Erkrath-Hochdahl	1'001	0	1'001	7.3%	-16	7.2%
Erkrath Wohnen, D-Erkrath-Hochdahl	1'142	-62	1'080	6.0%	-407	3.8%
Dortmund RS 167, D-Dortmund	202	-89	113	7.5%	-29	5.1%
Dortmund RS 173, D-Dortmund	6	0	6	n.a.	-18	n.a.
Total	**3'608**	**-232**	**3'376**	**7.4%**	**-966**	**5.7%**

2012
in TEUR

Investment properties	Target income	Loss	Effective income	Gross Margin[1]	Expense	Net Margin[2]
Munster, D-Munster	1'274	-101	1'173	9.7%	-478	6.4%
Erkrath Retail, D-Erkrath-Hochdahl	924	0	924	7.6%	-16	7.5%
Erkrath Wohnen, D-Erkrath-Hochdahl	1'094	-74	1'020	6.8%	-116	6.1%
Dortmund RS 167, D-Dortmund	51	-26	25	6.6%	0	6.6%
Dortmund RS 173, D-Dortmund	2	0	2	n.a.	-28	n.a.
Total	**3'345**	**-201**	**3'144**	**7.9%**	**-638**	**6.6%**

[1] Effective income per 31.12.2013/2012 (net, cold rent, excluding running cost) in relation to the value of the property.
[2] Effective income per 31.12.2013/2012 (net, cold rent, excluding running cost) excl. operating and maintenance expense in relation to the value of the property.

7. Investment property

Investment property in TEUR	**Book value 31.12.2013**	**Book value 31.12.2012**
Munster, D-Munster	13'402	12'844
Erkrath Retail, D-Erkrath-Hochdahl	15'050	12'220
Erkrath Wohnen, D-Erkrath-Hochdahl	18'350	17'550
Dortmund RS 167, Dortmund	1'495	1'518
Dortmund RS 173, Dortmund *	2'704	1'839
Total	**51'001**	**45'971**

* Refurbishment

in TEUR	**31.12.2013**	**31.12.2012**
Fair value at 1 January	**45'971**	**11'467**
Cost		
Amount at 1 January	35'004	8'926
Additions from purchases	0	26'078
Additions from investments	390	0
Accumulated cost at 31 December	**35'394**	**35'004**
Fair value adjustments		
Amount at 1 January	10'967	2'541
Increase in fair value	4'662	8'475
Decrease in fair value	-22	-49
Accumulated changes in fair value at 31 December	**15'607**	**10'967**
Fair value at 31 December	**51'001**	**45'971**

Acquisitions and Investments 2013

No investment properties were acquired in the financial year 2013.

Investments

The additions from investments concern capitalized development fees for “Dortmund RS 173” in the amount of TEUR 224 as well as value enhancing refurbishment cost for the portfolio in Munster in the amount of TEUR 166.

Acquisitions 2012

Acquisition of Portfolios "Erkrath Retail" and "Erkrath Wohnen"

Portfolio Erkrath Wohnen GmbH, a fully owned subsidiary of the Company, acquired a residential and commercial property in Erkrath-Hochdahl by publicly notarized sale agreement. The acquisition price amounted to TEUR 12’072. The project is funded from Stadtsparkasse Düsseldorf in the amount of TEUR 11’500.

Under the same purchase agreement, Portfolio Erkrath Retail GmbH, also a fully owned subsidiary of the Company, acquired a commercial property in Erkrath. The acquisition price amounted to TEUR 11’028. The project is also funded through Stadtsparkasse Düsseldorf with a volume of TEUR 10’000. The commercial areas are rented until 31 August 2018. For both properties risks and rewards were transferred to the buyer on 3 February 2012. The sales price for the property was below its fair value, as the vendor had strategic reasons to exit the real estate business and was looking for an immediate sale.

Acquisition of Rheinische Strasse 167 - 171 (“RS 167”) and 173 (“RS 173”) in Dortmund
On 21 August 2012 the Company acquired a portfolio of mainly commercially used properties by publicly notarized sale agreement; risk and reward was transferred on 27 September 2012. The purchase price for the portfolio amounted to TEUR 1’500. TEUR 1'150 thereof was allocated to "RS 167" and TEUR 350 to "RS 173". Acquisition costs in the amount of TEUR 141 were capitalized on a pro-rata basis. The portfolio consists of a small office and a landmark building. The Group envisages refurbishing the latter into a mostly residential property with selected commercial spaces. The purchase price for the property was below its market value, as the vendor had strategic reasons to exit the real estate business and was looking for an immediate sale.

Valuation

The fair values are evaluated on a bi-annual basis by the external valuation specialist Wüest & Partner based of the DCF method. For further details see disclosures under note 4. The input data as well as the estimates are reviewed by the CFO and CIO of Peach. Each appraisal is discussed in detail with the external valuation specialist.

In the current year IFRS 13 was applicable for the first time. For all investment property it was assessed, if the current use corresponds to the “highest and best use”. With the exception of “Erkrath Retail” the reappraisal did not lead to changes in the valuation or value adjustments.

For the portfolio “Erkrath Retail” technical, legal and financial analyses led to the conclusion that the extension of the building by four floors would be feasible and financially interesting. The consideration of this possibility led to a value increase of TEUR 2’830.

Further valuation gains were achieved for the portfolio “Munster” and “Erkrath Wohnen” in the amount of TEUR 1’192 due to further operational improvements and reduction of vacancy rates as well as for “Dortmund RS 173” in the amount of TEUR 641 due to the further progress in the refurbishment process.

Sensitivity analysis

All the investment property held at fair value through profit or loss were allocated to the hierarchy level 3, as various components of the DCF valuation are not observable in the market.

In a sensitivity analysis the change of the marked value was analyzed as a function of the discount rate and the rental income (changes in rents/vacancies):

		Change rental income						
Change discount rate		7.50%	5.00%	2.50%	0.00%	-2.50%	-5.00%	-7.50%
4.50%	**5.69%**	52'465	51'245	50'025	48'805	47'585	46'365	45'144
3.00%	**5.61%**	53'229	51'991	50'753	49'516	48'278	47'040	45'802
1.50%	**5.53%**	54'016	52'760	51'503	50'247	48'991	47'735	46'479
0.00%	**5.44%**	54'826	53'551	52'276	**51'001**	49'726	48'451	47'176
-1.50%	**5.36%**	55'661	54'367	53'072	51'778	50'483	49'189	47'894
-3.00%	**5.28%**	56'522	55'207	53'893	52'578	51'264	49'949	48'635
-4.50%	**5.20%**	57'409	56'074	54'739	53'404	52'069	50'734	49'399

There were no transfers between the levels in this as well as the prior financial year.

8. Income from development and realtor services

in TEUR	**2013**	**2012**
Sales commissions	1'311	1'205
Property development & construction management for related parties	1'165	1'077
Total	**2'476**	**2'282**

Income from development and construction management services provided to related parties was generated mostly with the following Peach Group Companies, as well as a joint venture of the Parent:

Yoo Berlin GmbH & Co.KG	645	358
Am Zirkus 1 Berlin GmbH & Co. KG	0	113
VD Berlin Chausseestrasse 106 GmbH & Co.KG	0	1
VD Harvestehuder Weg GmbH & Co. KG	501	605
Other	19	0
Total	**1'165**	**1'077**

Sales commissions are mostly related to sales of units of “Yoo Berlin” of TEUR 583 (prior year TEUR 554) as well as Harvestehuderweg of TEUR 522 (prior year TEUR 651) and “Living 108” of TEUR 204 (prior year TEUR 0). TEUR 431 (prior year TEUR 285) of the sales commissions was invoiced to Peach Group Companies.

9. Other operating income

in TEUR	**2013**	**2012**
Capitalized own services	284	63
Other income	83	146
Total	**367**	**209**

Capitalized own services relate to capitalized development and construction services for the project „Living 108“ in Berlin in the amount of TEUR 252 (prior year TEUR 63) and “RS 173” in Dortmund in the amount of TEUR 32 (prior year TEUR 0).

10. Personnel expenses

in TEUR	**2013**	**2012**
Salaries	1'334	977
Social Security	126	155
Other personnel expenses	43	0
Total	**1'503**	**1'132**
Headcount at 31. December	14	13

Pension expenses amounted to TEUR 51 (prior year: TEUR 60).

11. Sales and marketing expenses

TEUR	**2013**	**2012**
Marketing expenses	81	0
Sales expenses	1'232	647
Total	**1'313**	**647**

The sales cost is mainly related to the sales activities for the development property held by Yoo Berlin GmbH & Co.KG. in the amount of TEUR 115 (prior year TEUR 181), VD Harvestehuder Weg GmbH & Co. KG in the amount of TEUR 356 (prior year TEUR 466) and Peach Property Projekt III GmbH (Living 108) in the amount of TEUR 761 (prior year TEUR 0).

12. Other operating expenses

in TEUR	**2013**	**2012**
Fees and legal expenses	225	799
Rent	148	162
Travel and representation expenses	121	139
IT expenses	17	19
Advertisements and PR	0	51
Other operating expenses third parties	378	595
Other operating expenses related parties	808	984
Total	**1'697**	**2'749**

The decrease of fees and legal expenses is mostly related to the restructuring and the planned IPO of the Group in 2012 that resulted in additional cost of TEUR 674 – such fees did not arise in the financial year 2013. The same is valid for other operating expenses, where in the prior year an additional TEUR 318 of restructuring and IPO related costs were included.

Other expenses from related parties mainly contain management fees charged by Peach Property Group AG and Peach German Properties AG, the parent and ultimate parent of the Group. The higher fees in the previous year were related to additional fees charges for the aforementioned planned IPO.

13. Financial income and expenses

in TEUR	**2013**	**2012**
Financial expenses		
Interest expenses third parties	2'245	1'877
Interest expenses related parties	164	165
Fair Value adjustment from derivative financial instruments		
not designated instruments and ineffective part	9	0
Foreign currency losses	8	0
Other financial expenses	949	608
Total	**3'375**	**2'650**
Financial income		
Interest income third parties	159	416
Interest income related parties	570	202
Fair Value adjustment from derivative financial instruments		
not designated instruments and ineffective part	0	9
Total	**729**	**627**

The interest expenses from third parties in the amount of TEUR 1'448 relate to the outstanding bond (prior year TEUR 975); TEUR 797 (prior year TEUR 902) represent interest paid for the mortgages of the portfolios in Munster, Erkrath and Dortmund.

Interest expenses from related parties represent interest paid for short term financing liabilities from Peach Group Companies bearing interest rates of 3%.

The other financial expenses mainly contain the amortization of the capitalized transaction cost of the bond.

Interest income from third parties mostly contains the broken period interest from the bond.

Interest income from related parties is mostly related to interest received on short term loans granted to related parties. For details refer to note 25.

14. Income taxes

The tax rate applied represents the tax rate of the Company. It is composed of corporation tax including solidarity levy of 15.83% as well as trade tax of 14.67%.

in TEUR	**2013**	**2012**
Current income tax	-2	-341
Deferred income tax	-786	-1'766
Total	**-788**	**-2'107**

The income tax expense can be analysed as follows:

Profit before tax	2'697	6'842
Tax at a tax rate of 30.5% (2012: 28.5%)	-822	-1'950
Tax credits or deductible temporary differences	0	-89
Tax rate adjustment	-123	0
Prior year adjustments	227	0
Other differences	-70	-68
Total	**-788**	**-2'107**

The following tax amounts were directly booked through other comprehensive income:

2013	**Before tax**	**Tax**	**After Tax**
Hedge Accounting	274	-69	205
Total	**274**	**-69**	**205**

2012	**Before tax**	**Tax**	**After Tax**
Hedge Accounting	-701	200	-501
Total	**-701**	**200**	**-501**

15. Cash and cash equivalents

in TEUR	**31.12.2013**	**31.12.2012**
Cash and banks	4'688	5'788
Total	**4'688**	**5'788**

Cash and cash equivalents comprise the current account balances with German banks.

The amount of TEUR 1’193 (prior year TEUR 1’197) is not freely available. It relates to CAPEX fees for the portfolios in Munster and Erkrath.

16. Trade receivables

(in TEUR)	31.12.2013 Not due	 1 - 4 months	 5 - 12 months	 Total	31.12.2012 Not due	 1 - 4 months	 Total
Trade receivables from third parties	1'118	0	6	1'124	304	170	474
thereof provided for	0	0	0	0		0	0
Total net trade receivables				**1'124**			**474**
Trade receivables from related parties	1'284			1'284			17
Total trade receivables (net)				**2'408**			**491**

TEUR 299 (prior year TEUR 344) of the trade receivables from third parties are outstanding receivables from lessees. Further TEUR 822 (prior year TEUR 130) are due from sales provisions.

The trade receivables from related parties are mainly due from "Yoo Berlin" (TEUR 833) and "Harvestehuderweg" in Hamburg (TEUR 396).

None of the trade receivables are impaired. There were no losses in trade receivables in the current as well as the prior reporting period.

17. Financing receivables

in TEUR	31.12.2013	31.12.2012
Financing receivables from related parties	16'960	7'010
Total	**16'960**	**7'010**
Peach German Properties AG	6'857	1'207
Yoo Berlin GmbH & Co.KG	2'931	1'743
Am Zirkus 1 GmbH & Co.KG	3'913	3'691
VD Harvestehuder Weg GmbH & Co. KG	3'259	369
Total	**16'960**	**7'010**

The receivable from "Am Zirkus", a joint venture of the Parent, bears interest of 6%. The other short term financing receivables represent current account facilities granted to Peach Group Companies. They bear interest of 3%.

18. Other receivables

in TEUR	31.12.2013	31.12.2012
Value added tax credits	90	21
Advance payment Living 108	0	1'040
Deposits	122	104
Other receivables	32	10
Total	**244**	**1'175**

The other receivables do not contain any overdue amounts. No allowances for bad debt were required. For further details with regard to the advance payment "Living 108" see note 20.

19. Prepaid expenses

in TEUR	31.12.2013	31.12.2012
Prepaid invoices	14	47
Other prepaid expenses	127	178
Total	**141**	**225**

20. Development property

in TEUR	31.12.2013	31.12.2012
Land	5'594	0
Development cost	5'198	0
Capitalized borrowing cost	633	0
Total	**11'425**	**0**

Place	**31.12.2013 in TEUR**	**31.12.2012 in TEUR**	**Apartments in m^2**	**Apartments No.**	**Project status**	**Planned completion**
Berlin, Germany						
- Living 108, Berlin	11'425	0	7'569	128	1/2	2015
Total	**11'425**	**0**				

1) under construction

2) in sales

On 4 September 2012 Peach Property Projekt III GmbH, a 100% subsidiary of the Company, acquired 2'659 m^2 of prime building land in Berlin Mitte by means of notarized sales and purchase agreement. The Group has started the construction of 128 new residential condominiums. The purchase price for the land amounted to TEUR 5'200 of which TEUR 1'040 have been paid as non-recoverable down-payment in 2012. The remainder of the purchase price was paid at the beginning of financial year 2013 when risk and reward passed to the Group. Per 31 December 2013, the market value of the property amounted to TEUR 12'950.

The capitalized borrowing cost represents interests paid for the mortgage bearing interest of Euribor + 3.5% and the mezzanine loan bearing interest of 20%. For further details refer to Note 3 and 25.

21. Accounts payable

in TEUR	**31.12.2013**	**31.12.2012**
Accounts payable, third parties	975	1'040
Total	**975**	**1'040**

22. Advance payments

in TEUR	**31.12.2013**	**31.12.2012**
Advance payments	2'866	0
Total	**2'866**	**0**

The amount relates to advance payments for units sold of the project “Living 108” in Berlin.

23. Other payables

in TEUR	**31.12.2013**	**31.12.2012**
VAT and other tax payables	514	134
Deposits from lessees	119	148
Reservation fees	47	84
Other payables to third parties	564	419
Other payables to related parties	458	822
Total	**1'702**	**1'607**

Other payables to related parties include mostly management fees from Peach German Properties AG and Peach Property Group AG, the parent and ultimate parent of the Group. The prior year’s higher amount was mostly due to additional services provided for the planned IPO from the ultimate parent, Peach Property Group AG.

24. Accrued expenses

in TEUR	**31.12.2013**	**31.12.2012**
Consulting and audit fees	55	332
Personnel expenses	248	163
Accrued development cost	608	0
Accrued interest expenses	0	972
Other accrued expenses	84	233
Total	**995**	**1'700**

The decrease of the consulting and audit fee is related to last year’s planned IPO that led to additional expenses in this regard. The accrued development cost is related to the construction work of the development project “Living 108” in Berlin. The prior year’s accrued interest expenses included the interest related to the bond. In the current year this amount is included in the current financing liabilities.

25. Financing liabilities

in TEUR	**31.12.2013**	**31.12.2012**
Mortgages	33'413	29'144
Financing liabilities from third parties	5'848	0
Financing liabilities from related parties	7'011	3'351
Bond	20'779	13'367
Derivative financial instruments (see note 26)	427	701
Total	**67'478**	**46'563**
thereof current mortgages	13'814	651
thereof non-current mortgages	19'599	28'493
thereof current financing liabilities	12'859	3'351
thereof non-current financing liabilities	21'206	14'068
Total	**67'478**	**46'563**

Mortgages

in TEUR	**31.12.2013**	**31.12.2012**
current share of non-current mortgages	389	651
Erkrath Retail, D-Erkrath	9'425	0
Living 108, Berlin	4'000	0
Total current mortgages	**13'814**	**651**
Munster, D-Munster	7'736	7'898
Erkrath Retail, D-Erkrath	0	9'425
Erkrath Wohnen, D-Erkrath	10'961	11'170
RS 167, D-Dortmund	902	0
Total non-current mortgages	**19'599**	**28'493**

In the current year the Group entered in a mortgage agreement for the portfolio “RS 167” in Dortmund in the amount of TEUR 950 that runs through March 2023. The mortgage bears fixed interest of 3.5%.

The Group entered another financing agreement with a credit facility of TEUR 9’600 for the development project “Living 108” in Berlin. It bears interst of Euribor + 3.5%.

In the prior year the Group entered in a mortgage agreement with a contract period of 3 years in the amount of EUR 10m for the Portfolio “Erkrath Retail”, bearing an interest rate of EURIBOR + 1.75%. At the same time the Group entered into a Cap agreement limiting the variable total interest charge to 3.4%.

Related to the acquisition of the Portfolio “Erkrath Wohnen” in the prior year a further mortgage agreement in the amount of TEUR 11.5m and a contract period of 7 years with an interest rate of EURIBOR + 1.5% was concluded together with Swap contract fixing the interest rates at 3.39%.

The carrying amount of the mortgages approximates their fair value due to the contractually agreed market conditions.

The mortgages are secured by the respective property (see note 32).

Financing liabilities

in TEUR	**31.12.2013**	**31.12.2012**
Third parties		
- Due interest bond for financial year 2013	1'448	0
- Mezzanine loan Living 108, Berlin	4'400	0
Financing Liabilities from Peach Group Companies:		
- Peach Property Group AG	408	201
- Peach German Properties AG	102	102
- Chausseestrasse 106, Berlin	4'445	2'928
- Yoo Düsseldorf, Düsseldorf	124	120
- Harvestehuderweg, Hamburg	1'932	0
Total current financing liabilities	**12'859**	**3'351**
Derivative financial instruments	427	701
Total non-current financing liabilities	**427**	**701**

Bond

On 18 July 2011 Peach Property Group (Deutschland) AG, Cologne issued a bond with a 5-year period and the following parameters:

Volume:	up to TEUR 50’000
Interest rate:	6.6% p.a. due at each 31 December and with final payment
Nominal amount:	TEUR 1
Period:	18 July 2011 until 30 June 2016
Listing:	Deutsche Börse, Frankfurt
ISIN/WKN:	DE000A1KQ8K 4/A1KQ8K
Collateral:	Peach German Properties AG, the direct parent of Peach Property Group (Deutschland) AG, warrants unconditional and irrevocable payment of the capital invested and interest accrued from the bond as well as all other amounts, which are in accordance with the terms of the bond. For further information with respect to the bond issued, please refer to the prospectus.

in TEUR	**31.12.2013**	**31.12.2012**
Bond	20'779	13'367
Total	**20'779**	**13'367**
thereof non-current	20'779	13'367
Reconciliation		
Bond	21'940	14'724
Capitalized cost related to the issuance	-2'116	-1'854
Amortized cost	955	497
Net amount	**20'779**	**13'367**

The direct costs associated with the issuance of the bond are amortized over the term of the bond. Total costs with respect to the bond amounted to TEUR 2’390 (prior year TEUR 2’127).

The carrying amounts of the current financing liabilities approximate their fair values. The market value of the bond amounted to TEUR 21'721 (prior year TEUR 14'577). For further details refer to note 3.4.

26. Derivative Financial Instruments

in TEUR	**31.12.2013**	**31.12.2012**
Long term receivables from derivative financial instruments		
Interest rate cap - cash flow hedge	0	9
Long-term liablility from derivative financial instruments		
Interest rate swap - cash flow hedge	427	701

In the reporting period the Group concluded the following derivative financial instruments to hedge the variable interest risk on the mortgages of the portfolios in Erkrath:

	Interest Rate Swap Erkrath Wohnen	**Interest Rate Cap Erkrath Retail**
Contract date	30.01.2012	30.01.2012
Nominal value	11'500'000	10'000'000
Nominal value per 31.12.2013	11'145'543	9'425'000
Nominal value per 31.12.2012	11'334'816	9'800'000
Currency	EUR	EUR
End date	28.12.2018	30.12.2014
Variable interest rate	3 months EURIBOR	3 months EURIBOR
Fixed interest rate	1.89%	
Cap Rate (Strike)		1.65%

The interest rate swap for the Portfolio "Erkrath Wohnen" was 100% effective. The spread of the hedging instrument was fully charged to the income statement. The change in fair value of the swap of TEUR 274 (prior year TEUR 701) was charged to other comprehensive income.

The interest rate cap for the Portfolio "Erkrath Retail" only had an immaterial time value. The amount was charged to the income statement.

The mezzanine loan agreement for Living 108 in Berlin (see note 3.1 and 25) contains an embedded derivative in form of a profit participation that is reflected in an interest increase based on certain commercial parameters achieved should the loan not be repaid by half year 2014. Given that the Group intends to repay the due amount by half year 2014 the derivative has no intrinsic value as per reporting date.

27. Deferred Taxes

in TEUR	31.12.2013	31.12.2012
Deferred tax assets		
- Deferred tax assets to be recovered > 12 months	1'180	430
Total deferred tax assets	**1'180**	**430**
Deferred tax liabilities		
- Deferred tax liabilities to be recovered > 12 months	4'354	2'759
Total deferred tax liabilities	**4'354**	**2'759**

in TEUR	**31.12.2013**		**31.12.2012**	
	Assets	Liabilities	Assets	Liabilities
Investment properties	0	4'526	0	2'774
Non-current financial liabilities	130	354	0	387
Losses carried forward	1'576		832	
Total	**1'706**	**4'880**	**832**	**3'161**
Offsetting	-526	-526	-402	-402
Deferred tax assets	**1'180**		**430**	
Deferred tax liabilities		**4'354**		**2'759**

in TEUR	**2013**		**2012**	
	Assets	Liabilities	Assets	Liabilities
1 January	433	2'759	411	970
Charged to profit or loss	747	1'664	19	1'789
Charged to other comprehensive incocme	0	-69	0	-200
Offset	0	0	0	0
31 December	**1'180**	**4'354**	**430**	**2'759**

The following amount was directly charged to other comprehensive income:

2013

in TEUR	1 January	Movement	31 December
Hedge Accounting	200	-69	131
Total	**200**	**-69**	**131**

2012

in TEUR	1 January	Movement	31 December
Hedge Accounting	0	200	200
Total	**0**	**200**	**200**

All of the Group's existing accumulated losses brought forward have been capitalised as deferred tax assets, as sufficient taxable income is expected going forward that renders offsetting possible.

in TEUR	2013	2012
No expiration date	5'167	2'929

28. Equity

Registered capital

	in TEUR
1 January 2012	**25**
Capital increase by contribution in kind	4'975
31 December 2012	**5'000**
31 December 2013	**5'000**

2012

On September 27, 2012 the Company sold 100% of the shares of its subsidiaries Munster Portfolio GmbH and Portfolio Erkrath Wohnen GmbH to the Peach German Properties AG (the Parent). The purchase price corresponded to the respective 94.9% interests of the book value and to the respective remaining 5.1% of the fair market value of the shares held in the respective companies. Accordingly, the Company had a purchase price claim against the Parent in the amount of TEUR 315.

Subsequently, the registered share capital of the Company was increased through a capital contribution in kind from TEUR 25 by TEUR 4’975 to TEUR 5’000. 4’975’000 new shares, each with a nominal value of EUR 1, were issued and assumed by the parent. As consideration for the new shares received in the Company the Parent contributed 94.9% of its shares in Munster Portfolio GmbH and Portfolio Erkrath Wohnen GmbH at fair market value into the Company by way of capital increase through contribution in kind. At the same time, with the amount exceeding the nominal amount of the capital increase, it fulfilled its purchase price obligation resulting from the acquisition of the shares in Portfolio Erkrath Wohnen GmbH und Munster Portfolio GmbH.

In the course of the above described share capital increase through capital contribution in kind a shareholder resolution of the Company was passed to change its legal form from a limited company under German law into the form of a stock corporation under German law. On 9 October the change of the legal form was registered in the commercial register.

Share premium

	in TEUR
1 January 2012	**430**
Contribution in kind	1'142
31 December 2012	**1'572**
31 December 2013	**1'572**

2012

As of 27 September 2012, Peach German Property AG contributed a short term loan receivable from Portfolio Munster GmbH in the amount of TEUR 1'142 resulting in an increase of capital reserves by the same amount.

Other reserves

	in TEUR
1 January 2012	**0**
Hedging Reserve	-476
31 December 2012	**-476**
Hedging Reserve	194
31 December 2013	**-282**

For details see note 26.

Retained earnings

1 January 2012	**1'283**
Profit 2012	4'489
Capital contribution	-4'975
31 December 2012	**797**
Profit 2013	1'821
31 December 2013	**2'618**

For details with regard to the capital contribution in 2012 see registered capital.

29. Scope of consolidation

		Registered in	Share Capital TEUR	Share parent in %	Non-controlling interest in %	Closing Date
Peach Property Group (Deutschland) AG	1	Köln	5'000			31.12.
Real Value Living GmbH	2	Köln	25	100.0		31.12.
Munster Portfolio GmbH	3	Köln	25	94.9	5.1	31.12.
Portfolio Erkrath Retail GmbH	3	Köln	25	100.0		31.12.
Portfolio Erkrath Wohnen GmbH	3	Köln	25	94.9	5.1	31.12.
Peach Property Projekt III GmbH [1]	4	Köln	25	100.0		31.12.
Portfolio Dortmund Verwaltungs GmbH	5	Köln	25	100.0		31.12.
Portfolio Dortmund RS 167 GmbH & Co. KG	3	Köln	1	100.0		31.12.
Portfolio Dortmund RS 173 GmbH & Co. KG	3	Köln	1	100.0		31.12.

[1] 25% of the shares are pledged for a financing facility

1) Holding and service company
2) Sales and agency services company
3) Project entity investment
4) Project entity development
5) Limited liability partner as general partner

The non-controling interest of Munster Portfolio GmbH and Portfolio Erkrath Wohnen GmbH are held by the Company's parent, Peach German Properties AG. The non-controlling interest is neither material on annual result nor on equity level.

Changes in scope of consolidation 2013

There were no changes in the scope of consolidation in the financial year 2013.

Changes in scope of consolidation 2012

On 27 September the Company acquired all shares in Portfolio Dortmund Verwaltungs GmbH, a limited liability company under German law with registered seat in Cologne and a registered share capital with a nominal value of TEUR 25.
Subsequently, on the same day the Company and Portfolio Dortmund Verwaltungs GmbH founded two limited partnerships with a limited liability partner as general partner, Portfolio Dortmund RS 167 GmbH & Co. KG and Portfolio Dortmund RS 173 GmbH & Co. KG. The Company is the sole limited partner and Portfolio Dortmund Verwaltungs GmbH is the general partner. Portfolio Dortmund Verwaltungs GmbH has no participation in the partnership interests of Portfolio Dortmund RS 167 & Co. KG and Portfolio Dortmund RS 173 & Co. KG.
On the same day the Company contributed one part of the property situated in Dortmund into Portfolio Dortmund RS 167 & Co. KG and the other part in the property situated in Dortmund into Portfolio Dortmund RS 173 GmbH & Co. KG. With each contribution in kind the Company not only fulfilled its respective obligation to contribute the respective amount owed as the limited partner under the respective partnership agreement, but also built a capital reserve in each of these limited partnerships.

For details with regard to the sale of 5.1% of the shareholdings of Munster Portfolio GmbH and Portfolio Erkrath Wohnen GmbH, the capital increase and change of legal form of the Company refer to note 28.

30. Related party transactions

Disclosures regarding transactions with related parties

in TEUR	**2013**	**2012**
Operating income		
- Peach Group Companies	1'632	1'249
- Joint ventures from Peach Group Companies	0	113
- Other related parties	16	0
Operating expenses		
- Peach Group Companies	808	932
- Joint ventures from Peach Group Companies	0	52
- Other related parties	28	0
Interest income on loans and receivables		
- Peach Group Companies	349	72
- Joint ventures from Peach Group Companies	221	130
Interest expense		
- Peach Group Companies	164	165
	31.12.2013	**31.12.2012**
Trade receivables from related parties		
- Peach Group Companies	1'284	17
- Joint ventures from Peach Group Companies	4	0
Financing receivables from related parties		
- Peach Group Companies	13'047	3'319
- Joint ventures from Peach Group Companies	3'913	3'691
Other payables due to related parties		
- Peach Group Companies	458	808
- Joint ventures from Peach Group Companies	0	14
Financing payables due to related parties		
- Peach Group Companies	7'011	3'351

Transactions with related parties are settled on regular commercial terms and conditions (“arm’s length conditions”).

31. Remunerations to members of the Board of Directors and Management

The board of directors is compensated on consolidation level Peach for its services. Based on materiality consideration the expenses have not been broken down to the individual Group Companies.

Until October 2012, Bernd Hasse acted as Managing Director of the Group and, at the same time, as the only member of the Group in the Peach Group management.

After the change of the Company from a limited company into the form of a stock corporation Bernd Hasse was appointed CEO and chairman of the Group. In November 2012 the management team of the Group was strengthened by appointing Carsten Kipping as CFO and member of the management board.

The total management compensation was as follows:

in TEUR	**2013**	**2012**
Base salary as cash payment including the employer’s pension contribution	420	218
Bonus as cash payment	63	50
Bonus as share payment	57	47
Total	**540**	**315**

32. Assets pledged as collateral for own commitments

in TEUR	**2013**	**2012**
Cash and cash equivalents	1'193	1'197
Development properties	11'425	0
Investment properties	48'297	42'614
Investments	7	0

Cash and cash equivalents is mostly pledged for CAPEX accounts for the portfolios in Munster und Erkrath in the amount of TEUR 1’193. The development and investment properties were effectively pledged for a liability in the amount of TEUR 37’813 (prior year TEUR 29’144). For further details refer to note 7 and 25.

33. Operating lease

Future lease payables under non-cancellable operating leasing agreements amount to:

in TEUR	**2013**	**2012**
up to 1 year	137	139
1 - 5 years	15	199
Total	**152**	**338**

The future lease payments mostly relate to the office premises of the Company.

Future lease income from investment property:

in TEUR	**2013**	**2012**
up to 1 year	1'564	1'412
1 - 5 years	4'723	4'413
more than 5 years	18	933
Total	**6'305**	**6'758**

34. Subsequent events

No subsequent events to be reported.

Bestätigungsvermerk des Abschlussprüfers

An die Peach Property Group (Deutschland) AG, Köln

Wir haben den von der Peach Property Group (Deutschland) AG, Köln, aufgestellten Konzernabschluss – bestehend aus Bilanz, Gesamtergebnisrechnung, Eigenkapitalveränderungsrechnung, Kapitalflussrechnung und Anhang – für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2013 geprüft. Die Aufstellung des Konzernabschlusses nach den IFRS, wie sie in der EU anzuwenden sind, liegt in der Verantwortung des Vorstands der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Konzernabschluss abzugeben.

Wir haben unsere Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der IFRS, wie sie in der EU anzuwenden sind, vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der Jahresabschlüsse der in den Konzernabschluss einbezogenen Unternehmen, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen des Vorstands sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss den IFRS, wie sie in der EU anzuwenden sind, und vermittelt unter Beachtung dieser Vorschriften ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns.

Köln, den 17. Juli 2014

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Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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Leerseite aus bindetechnischen Gründen

Leerseite aus bindetechnischen Gründen