Czech Property Investments, a.s.

2011 ANNUAL REPORT

CPI Group

Contents

1. PROFILE OF THE CPI GROUP

The CPI Group (hereinafter also as “the Group”) is a leading Czech real estate group engaged in investment, development and property management. It has been operating in the field of real estate since the late 1990s. It develops its activities in the Czech and Slovak Republics across all segments. The parent company of the Group is Czech Property Investments, a. s. (hereinafter also as “the Company CPI” or “the Company” or “CPI”).

The CPI Group owns and manages over 500 000 sq. m of retail space, 230 000 sq. m of existing office space, 14 hotels with over 7 800 beds and approximately 148 800 sq. m of space intended for light industry and storage. With over 12 700 apartments, it is today the second largest provider of rental housing in the Czech Republic.

The CPI Group has successfully established itself among the leading investors and developers in the domestic real estate market. The advantages of the CPI Group are its good orientation in the domestic business environment supported by many years of experience and its strong financial base. A strategic approach to investment, a diversified portfolio of properties and activities and a quality technical and personnel base form the main pillars of the Group’s successful business.

Today, the CPI Group works with the leading companies in the Czech and Slovak markets. The CPI Group strives to create adequate background for companies, which could support their long-term growth and prosperity and at the same time.

2. PERSON RESPONSIBLE FOR THE CPI GROUP ANNUAL REPORT

Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Annual Report provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for 2011, and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group. No facts have been omitted that could change the meaning of this report.

Prague, 27 April 2012

Zdeněk Havelka

Chief Executive Officer of CPI Group

3. AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL REPORT

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Independent Auditor's Report to the Shareholder of Czech Property Investments, a.s.

Financial statements

On the basis of our audit, on 27 April 2012 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report and our report was as follows:

"We have audited the accompanying financial statements of Czech Property Investments, a.s., which comprise the statement of financial position as of 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Czech Property Investments, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Czech Property Investments, a.s. as of 31 December 2011, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

On the basis of our audit, on 27 April 2012 we issued an auditor's report on the Company's consolidated financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of Czech Property Investments, a.s. which comprise the consolidated statement of financial position as of 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Czech Property Investments, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities of Czech Property Investments, a.s. as of 31 December 2011, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Czech Property Investments, a.s. for the year ended 31 December 2011. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Czech Property Investments, a.s. for the year ended 31 December 2011 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
27 April 2012

KPMG Česká republika Audit, s.r.o.

KPMG Česká republika Audit, s.r.o.
Licence number 71

Pavel Kliment
Partner
Licence number 2145

4. INTRODUCTION OF THE CHIEF EXECUTIVE OFFICER OF THE CPI GROUP

Dear shareholders,
Dear business partners,

At the end of 2011, the CPI Group celebrated the 20-year anniversary of its establishment and commencement of activities. The gradual development of activities and gradual penetration in individual areas of the real estate sector laid solid foundation for the successful expansion of the CPI Group, which started off at the beginning of this millennium, manifested both in the value and structure of assets and in the extent and focus of activities associated with its management and investment plans. Over nearly two decades, the CPI Group has established itself in the real estate market as an institutional real estate holding operating actively in the Czech and Slovak Republics in all real estate segments. During the twenty years of its business operation, the CPI Group has adopted a range of skills and knowledge that today represent a significant competitive advantage and place the CPI Group to the lead of real estate investors in the domestic market. Its excellent knowledge of the business environment, its ability to predict market behavior and a certain degree of a conservative approach became the keystones for the most successful year in the history of the CPI Group - the year of 2011.

The foundation of this success was laid already in 2010 when we focused our investment strategy on the purchase of finished projects, particularly commercial properties, and the results from this year were positively reflected in the value of assets, revenues and profit of the CPI Group. We set three main objectives for the year 2011: to consolidate assets acquired in 2010 and increase its value again; to adjust the internal structure of the CPI Group to the breadth of its portfolio and activities and ensure adequate service to all properties; and to secure additional financial resources for the above objectives.

All these tasks were achieved within a relatively short time period of one year. In 2010, the value of assets of the CPI Group amounted to CZK 39.8 billion. During 2011, it increased by 43 % and reached the amount of CZK 57.2 billion. The real estate portfolio has expanded with a new segment of logistics, the importance of office lease increased. Compared to 2010, revenues from lease of properties nearly tripled as they grew from CZK 718.6 million in 2010 to CZK 1.9 billion in 2011. A lion’s share can be attributed to the acquisitions of finished projects mainly in the field of retail, offices and logistics and an increase in revenues from lease of the housing portfolio due to deregulation.

Last year alone, the area of retail space in the portfolio of the CPI Group grew by a quarter to a total of 500 000 sq m. The Group purchased e.g. a package of Family Center retail parks in the Czech Republic and Slovakia, retail complexes in Beroun and Svitavy, shopping centers Olympia Teplice and Olympia Mladá Boleslav, the shopping center City Park Jihlava and individual supermarkets. In terms of area and revenues from lease of space, the office segment also became significantly stronger, mainly due to a package of properties of Office Stars companies, the main tenant of which is Česká pojišťovna, a.s. A total of nineteen buildings throughout the Czech Republic caused a one-off expansion of the CPI Group to new locations; at the same time it differentiated the structure of the administrative portfolio which includes historical and modern A and B-class buildings. No less significant was the purchase of the former headquarters of Živnostenská banka in the Prague city center and a 50% share in a development project of the administrative-retail complex COPA Center in Prague 1. By these acquisitions, the leasable office area in the CPI Group portfolio increased to a total of 230 000 sq. m. In 2011, the logistics segment strengthened significantly as projects in the development planning stage were complemented by two finished and functioning complexes in the Czech Republic and Slovakia with long-term tenants operating in the manufacturing of automotive components. The CPI Group thus finally entered the field of logistics.

As I said earlier, the increased revenues from lease were affected not only by the newly acquired commercial properties but also by the long expected change in the field of rental housing. The change led to the end of the validity of the Act No. 107/2006 Coll., on Unilateral Rent Increases, which determined the maximum limit of the growth of regulated rents. In the case of the CPI Group, the rent deregulation affected more than 70% of apartments which very positively affected the economic performance of the entire Group. In the future, an important aspect is also the method of determination of the rent level in the following years, on the gradual increase of which the CPI Group agreed with the tenants. Therefore, a growth in the revenues from lease of apartments can be definitely predicted in the coming years as well. The revenues can be seen as opposed to the long-term investment plan to revitalize the housing stock which last year alone claimed more than CZK 300 million and by which the CPI Group wants to ensure satisfied tenants in the long-term and constantly growing value of its assets.

Another objective accompanying the expansion of the CPI Group real estate portfolio was a new institutional structure of the CPI Group supported by a number of internal system steps and application of new technologies and software. Clear decision-making powers and responsibilities were given to the directors of individual departments, the task of which is to set up a medium-term strategy that would correspond to the basic objectives of the CPI Group, ensure an interconnection of individual teams working on joint projects and support further growth of the CPI Group and its profit. The financial and economic departments were significantly restructured and they now copy the life cycle of projects and provide background support to all departments and teams in the Group with a greater emphasis on system solutions. A completely new addition to the CPI Group is the Department of Control and Internal Audit, the ambition of which is to set up new internal processes, to apply new technology systems and to ensure their proper functioning and control.

The above steps led to the need to strengthen the staff basically at all levels of management and performance of activities. The delivery of long-term appreciation of assets in the form of long-term tenancies is based mainly on a quality and professional human resources base that is able to ensure the maximum number of services from internal resources and to guarantee a responsible and flexible approach to the tenants' requirements.

A response to the two above objectives was the effort to obtain new financial resources, or their diversification. The situation in the global market and the cautious approach of banks to financing of development or acquisition projects forced the CPI Group to look for new funds that would become an alternative to bank loans. Corporate bonds, on the issue of which the CPI Group intensively worked in the second half of 2011, seemed to be the most suitable form providing sufficient time and financial flexibility. The issue of bonds in CZK and EUR was performed in the spring of 2012 and the great interest of investors led even to an increase in the issue. There bonds are primarily intended to guarantee the extension of the maturity of the existing liabilities of the CPI Group, to release cash flow and to obtain additional capital for new investments.

The CPI Group's ambitions for 2011 were definitely not low. I am glad that I can positively evaluate not only their achievement but also a number of synergistic effects ultimately brought to the CPI Group. Acquisitions of properties intended for lease were reflected in the rapid growth of revenues from lease and subsequently in the total profit of the Group. Despite large expenditures for the purchase of properties, compared to 2010 the profit of the Group increased by 2.4 % to a total of CZK 1.14 billion (EBITDA CZK 2.3 billion). Investment property in the total amount of CZK 46.5 billion (compared to CZK 26.3 billion in 2010) were reflected in the total value of assets which amounted to CZK 57.2 billion. As in previous years, the equity increased from CZK 12.6 billion in 2010 to CZK 15.9 billion.

The economic results of recent years only say one thing - the CPI Group is a stable and financially independent investor capable to operate in the long-term that is successfully resisting to the economic fluctuations in the real estate market thanks to its conservative policy. Maintaining a diversified portfolio of properties, activities and financial resources in the long terms is the key to success in the coming years as well. Therefore, in the near future, the CPI Group will focus on the implementation or completion of development projects, including the reconstruction of the Clarion Congress Hotel Ostrava, the construction of the multipurpose complex CPI City Center Olomouc, the construction of retail parks in Trutnov, Třinec and Pelhřimov and the construction of other Penny Market supermarkets and the launch of the construction of the prestigious office and commercial complex COPA Center in Prague. A separate chapter is represented by investments in the regeneration of the rental housing stock throughout the Czech Republic. The interest in finished projects is not decreasing in the future, however, activity of the CPI Group in this field will be significantly affected particularly by the situation in the real estate market and the supply of such projects. The implementation of all processes set up within the Group and the introduction of new technologies and processes into the everyday life of the Group will also require great attention.

The 20-year-long development of the CPI Group until now has proven its ability to succeed in the domestic real estate market mainly thanks to the knowledge of its specifics and its own approach to their solutions. We believe that these attributes along with the physical presence in the domestic market are a valuable assets for our business partners and tenants that positively affects our mutual cooperation and ultimately also the economic performance of the Group. On behalf of the Management of the CPI Group I can promise support for this effort and continuous attention to its improvement.

Zdeněk Havelka

Chief Executive Officer of CPI Group

5. OVERVIEW OF SELECTED FIGURES OF THE CPI GROUP

Overview of key indicators (as derived from consolidated financial statements)

Ukazatel	Unit	2010	2011	index 2011/2010 %
Operating Revenues	TCZK	776 119	1 953 568	251,7
- Revenues from Rental of Properties	TCZK	718 657	1 905 904	265,2
EBITDA	TCZK	1 428 069	2 370 292	166,0
EBIT	TCZK	1 413 448	2 359 707	166,9
EBIT Margin	%	182,1	120,8	66,3
Net Profit	TCZK	1 116 084	1 143 275	102,4
EPS - basic	CZK / share	523,4	287,5	54,9
Total Asset	TCZK	39 841 224	57 271 125	143,7
Investment Property	TCZK	26 312 832	46 526 881	176,8
Equity	TCZK	12 601 363	15 998 672	127,0
ROE	%	8,9	7,1	80,7
ROA	%	3,5	4,1	116,1

6. HIGHLIGHTS OF 2011 AND 2012 UNTIL THE ANNUAL REPORT CLOSING DATE

2011

January 2011
Acquisition of a 100% ownership share in AB BHV, spol. s r.o.

February 2011
Acquisition of 100% of shares in CPI Retails ONE, a.s. 100% of shares in CPI Retails TWO, a.s., 100% of shares in BAYTON SR a.s.

March 2011
Purchase of 100% of shares in Marissa, a.s., 100% of shares in Camuzzi, a.s., 100 % of shares in Žďár Property Development, a.s., 100 % of shares in Telč Property Development, a.s. and 100% of shares in Baudry, a.s.

April 2011
Purchase of 100% of shares in ELAMOR, a.s. and 100 % of shares in Trutnov Property Development, a.s.
ABIGAIL, a.s. bought a 100% ownership share in Považská Bystrica Investments, s.r.o.
BAYTON SR, a.s. bought a 100% ownership share in Komárno Investments, s.r.o.
CPI Retails ONE, a.s. bought 100% ownership shares in Mělník Investments, s.r.o., Pardubice Investments, s.r.o. and Řepy Investments, s.r.o.
CPI Retails TWO, a.s. bought 100% ownership shares in Chrudim Investments, s.r.o. and Náchod Investments, s.r.o.
Trenčín Property Development, a.s. bought a 100% ownership share in Dunajská Streda Investments, s.r.o.

May 2011
Purchase of 100% of shares in Ždírec Property Development, a.s.

June 2011
Purchase of 100% of shares in Komura, a.s.

July 2011
Marissa Alfa, a.s. bought a 100% ownership share in OLYMPIA Teplice, s.r.o.
Marissa Beta, a.s. bought a 100% ownership share in OLYMPIA Mladá Boleslav, s.r.o.

The merger of Czech Property Investments, a.s. as the successor company with Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. as the dissolving companies was registered in the Commercial Register.

July 2011

Marissa Kappa, a.s. acquired a 50% ownership share in COPA Centrum Národní, s.r.o.

August 2011

NERONTA, a.s. and HERTONE, a.s. bought a 100% ownership share in Auto Priemyselný park, s.r.o. owned by A/L SK OFFICE 2, s.r.o.
The consolidation of Kerina, a.s. as the successor company and Relax Centrum Ostrava, s.r.o. as the dissolving company was registered in the Commercial Register.
The consolidation of Modřanská Property, a.s. as the successor company and Modřanská Investment, s.r.o. as the dissolving company was registered in the Commercial Register.

November 2011

Svitavy Property Alfa, a.s. bought 100% of shares in DOREK Vysoké Mýto, a.s. and TRIFIT Vysoké Mýto, s.r.o.

December 2011

Purchase of 100% of shares in CPI - City Park Jihlava, a.s. by Marissa Ksí, a.s.
Bageleot, a.s. bought a real property of Živnostenská banka at Na Příkopech in Prague.

2012

March 2012

CPI issued bonds with the designation of issue CPI VAR EUR 2015, CPI VAR EUR 2019, CZK CPI VAR 19.
The merger of Marissa Alfa, a.s. as the successor company and OLYMPIA Teplice, s.r.o. as the dissolving company was registered in the Commercial Register and went into effect on 1 August 2011.
The merger of Marissa Beta, a.s. as the successor company and OLYMPIA Mladá Boleslav, s.r.o. as the dissolving company was registered in the Commercial Register and went into effect on 1 August 2011.
The merger of CPI Retails ONE, a.s. as the successor company and Řepy Investments, s.r.o., Mělník Investments, s.r.o. and Pardubice Investments, s.r.o. as the dissolving companies was registered in the Commercial Register and went into effect on 1 July 2011.

April 2012

The merger of CPI Retails THREE, a.s. as the successor company and Povážská Bystrica Investments, s.r.o. as the dissolving company was registered in the Commercial Register.
Purchase of the remaining 50% of shares in VT Holding, a.s.

7. STATUTORY BODIES AND MANAGEMENT OF THE CPI GROUP

(A separate part of the annual report in accordance with § 188 (4j) of the Act No. 256/2004 Coll.)

In accordance with the Articles of Incorporation, the statutory bodies of Czech Property Investments, a.s. (hereinafter also referred to as the "CPI") are the General Meeting, the Board of Directors and the Supervisory Board while the General Meeting as the supreme body elects and removes members of the Board of Directors and members of the Supervisory Board. The executive body is the management of the CPI Group. CPI has not established any further executive or supervisory bodies or committees. In accordance with § 44 (3) of the Act No. 93/2009 Coll., the CPI Supervisory Board performs activities of an audit committee.

7.1. General Meeting of CPI

The General Meeting is the supreme body of CPI.

The exclusive scope of powers of the General Meeting particularly includes:

a) Decision to change the Articles of Incorporation, unless the change is caused by an increase in the share capital by the Board of Directors or unless it is a change made on the basis of other legal matters;
b) Decision to increase the share capital or to authorize the Board of Directors in this matter in accordance with Article 41 of the Articles of Incorporation of CPI, or on the possibility of offsetting a monetary receivable owed to CPI against a receivable arising from emission rate repayment;
c) Decision to increase the share capital and to issue bonds in accordance with § 160 of the Act No. 513/1991 Coll., as amended (hereinafter referred to as the "Commercial Code");
d) Election and removal of members of the Board of Directors;
e) Election and removal of members of the Supervisory Board with the exception of members of the Supervisory Board elected and removed by employees;
f) Approval of the ordinary and extraordinary financial statements and consolidated financial statements and also interim financial statements in cases specified by law, deciding on the profit distribution or loss settlement or the determination of profit sharing;
g) Decision on the remuneration awarded to the members of the Board of Directors and the Supervisory Board;
h) Decision to quote participating securities of the company in accordance with a special law and to cancel their exclusion from trading in the official market;
i) Decision to dissolve the company through insolvency, appointment and removal of a liquidator, including the determination of his/her remuneration, approval of the proposed distribution of the liquidation balance;
j) Decision on a merger, transfer of assets to a single shareholder or a division, or a change in the legal form;
k) Approval of contracts listed in § 67a of the Commercial Code or suspension of the business;
l) Approval of actions undertaken on behalf of the company before its formation under § 64 of the Commercial Code;

m) Approval of the control agreement and the contract on profit transfer and a silent partnership agreement and their changes;
n) Decisions on other issues which the Commercial Code or the Article of Incorporation include in the powers of the General Meeting.

The General Meeting has a quorum if the present shareholders have shares, the nominal value of which amount to at least 30% of the share capital of the Company. One vote is assigned to each share with a nominal value of CZK 800. The General Meeting shall decide according to § 186 (1) of the Commercial Code by the majority of present shareholders, unless the law or the Articles of Incorporation of CPI require another majority. In matters according to § 186 (2) of the Commercial Code, the law requires a two-third majority of present shareholders. In matters according to § 186 (3) of the Commercial Code, the law requires the consent of at least three quarters of present shareholders who have these shares. Likewise, a three-quarter majority of present shareholders is required for decisions on matters listed in § 186 (4) of the Commercial Code. The consent of all shareholders, whose shares are supposed to be reverse split, is required according to § 186 (5) of the Commercial Code in order to reach a valid decision of the General Meeting on a reverse share split.
Other actions and decision-making processes of the General Meeting, as well as the participation in the General Meeting and the rights of shareholders at the General Meeting, the manner of convening the General Meeting and a replacement General Meeting are governed by the CPI Articles of Incorporation.

7.2. Supervisory Board of CPI

The Supervisory Board is a supervisory body of CPI and has all rights in the extent of generally binding legal regulations, these Articles of Incorporation and the decisions of the General Meeting of CPI.

The Supervisory Board oversees the performance of the scope of powers assigned to the Board of Directors and the performance of business activities of CPI.

The Supervisory Board is particularly entitled:
a) To review ordinary, extraordinary, consolidated and interim financial statements and the proposal for profit distribution or loss settlement and to submit its opinion to the General Meeting;
b) To convene a General Meeting, if required by the interests of CPI;
c) To submit its opinions, recommendations and suggestions to the General Meeting and the Board of Directors;
d) To inspect all documents and records relating to the activities of CPI and to control whether accounting records are properly kept in accordance with the facts and whether business activities of CPI are performed in accordance with the law, the Articles of Incorporation and instructions of the General Meeting.

The Supervisory Board has a quorum if an absolute majority of its members is present at the meeting. In order to approve of the decision in all matters discussed by the Supervisory Board, it is

necessary that an absolute majority of all, not only present, members of the Supervisory Board votes for them.
The composition, appointment and terms of the Supervisory Board, convening meetings of the Supervisory Board, meetings of the Supervisory Board, duties of members of the Supervisory Board and shares in profit and remuneration of members of the Supervisory Board are governed by the Articles of Incorporation of CPI.

Members of the Supervisory Board of CPI as of 31 December 2011:

Radan Kamenický, member of the Supervisory Board since 28 December 2005.

Pavel Semrád, member of the Supervisory Board since 12 February 2010.

Vladimír Sup, member of the Supervisory Board since 12 February 2010.

7.3. Board of Directors of CPI

The Board of Directors is a statutory body that manages the activities of CPI and acts on its behalf. The Board of Directors decides on all matters of CPI, which are not assigned to the scope of authority of the General Meeting or the Supervisory Board by binding legal regulations or the Articles of Incorporation of CPI.

The Board of Directors is particularly entitled:

a) To perform management and business management and take care of operational matters of CPI;
b) To exercise the employer's rights;
c) To convene the General Meeting;
d) To submit a report on business activities of CPI and its assets to the General Meeting within six months of the last day of the fiscal period;
e) To submit proposals to amend and supplement the Articles of Incorporation to the General Meeting;
f) To submit the ordinary, extraordinary, consolidated and interim financial statements to the General Meeting for approval;
g) To submit a proposal for profit distribution or loss settlement to the General Meeting;
h) To execute resolutions or decisions of the General Meeting;
i) To ensure proper keeping of records, accounting books, business books and other company documents;
j) To grant and revoke procuration;
k) To decide on an increase in the share capital in the extent authorized by the General Meeting in accordance with § 210 of the Commercial Code.

The Board of Directors has a quorum if all members of the Board are present at the meeting. In order to adopt a decision in all matters discussed at a meeting of the Board of Directors, it is necessary that all members of the Board of Directors vote for it. If all members of the Board of Directors agree, the Board may vote in writing or using communication technology even outside the meeting. The voters are then considered as present. A report is made on the result of the vote at the next meeting of the Board of Directors.

The composition, appointment and terms of the Board of Directors, convening meetings of the Board of Directors, meetings of the Board of Directors, duties of members of the Board of Directors and share in profit and remuneration of members of the Board of Directors are governed by the Articles of Incorporation of CPI.

Members of the Board of Directors of CPI as of 31 December 2011:

Radovan Vítek, Chairman of the Board of Directors since 30 November 2011.

Marek Stubley, Vice Chairman of the Board of Directors since 30 November 2011.

Marie Vítková, member of the Board of Directors since 30 November 2011.

Members of the Board of Directors whose membership was discontinued in 2011:

Zdeněk Havelka, member of the Board of Directors from 26 March 2003 and Chairman of the Board from 11 January 2007 until 30 November 2011.

Milan Trněný member of the Board from 22 June 2005 until 30 November 2011.

Josef Štolba, member of the Board from 22 June 2005 until 30 November 2011.

7.4. Management of the CPI Group

The top management of the entire CPI Group is the management responsible for running individual organizational units. Its organizational structure is based on specializations by individual activities and it has the following form:

Members of the CPI Group management who are persons with executive powers:

Zdeněk Havelka

Chief Executive Officer

Mr Havelka graduated from the Faculty of Agriculture, University of South Bohemia in České Budějovice. He has worked in the CPI Group since 2002 as an individual accountant and subsequently as the Chief Financial Officer. In 2005, he was appointed as the Chief Executive Officer. The direct subordinates of the Chief Executive Officer are: Director of Internal Audit, Director of Development, Asset Management, Acquisitions, Property Management and Chief Operating Officer.

Robert Schejbal

Director of Internal Audit

Mr Schejbal graduated with a degree in Automated Management Technology at the Technical University in Ostrava. As the head auditor, he managed IT audit departments in Union banka, Eurotel and Komerční banka for more than eleven years. He gained national and international experience primarily in management of development and IT architecture and in audit in the banking sector. In the CPI Group, he has been in charge of IT projects and internal audit of the Group including internal processes since September 2011.

Martin Němeček

Director of Acquisitions

Mr Němeček graduated from the Faculty of Law, Charles University in Prague and the University of Economics in Prague. He has worked in the CPI Group since June 2011 and he is in charge of the Group‘s real estate acquisitions. At the same time, he manages the department of external financing and the legal department, which provides support to the acquisition team, and the department of development and asset management.

Igor Klajmon

Director of Development

Mr Klajmon graduated from the Technical University in Brno, he studied at the Mackenzie University in Sao Paulo (Brazil) and the London Business School (UK). He has many years of experience from his involvement in extensive commercial and residential projects in Central Europe, Great Britain and Brazil for companies such as Avestus Real Estate or Bovis Lend Lease. He has worked for the CPI Group since February 2012.

Pavel Semrád

Director of Asset Management

Mr Semrád graduated from the Faculty of Finance and Accounting, University of Economics in Prague. From 2002, he worked in the Group as a project manager, in 2005 he was appointed as the Director of Development and subsequently also Property Management. Currently, he leads a team of asset managers and letting managers responsible for letting and administration of commercial property.

Martin Stibor

Director of Property Management

Mr Stibor graduated from the Technical University in Brno. Before joining the CPI Group, he worked for ten years as a member of top management of EMCM, s.r.o. In the CPI Group, he has been in charge of the technical, administrative and operating management of all real estate in the Group’s portfolio since 2010.

Jiří Dedera

Chief Operating Officer

Mr Dedera graduated from the Technical University in Brno, Faculty of Civil Engineering. He worked e.g. in advisory companies Deloitte and PricewaterhouseCoopers in the Czech Republic and USA. In the CPI Group, he has been in charge of managing the CPI Group’s supporting departments, particularly the financial, HR, IT, PR&Marketing and divisional management departments since August 2011.

The work address of the members of management of the CPI Group is Prague 1, Václavské náměstí 1601/47, 110 00.

7.5. Principles of Remuneration of the Members of the Supervisory Board and the Board of Directors of CPI and Management of the CPI Group

Czech Property Investments does not have any fixed principles of remuneration of members of the Supervisory Board, the Board of Directors and Management of the CPI Group. The General Meeting of CPI decides on the remuneration of members of the Supervisory Board and the Board of Directors according to § 187 (1g) of the Act No. 513/1991 Coll., Commercial Code, as amended. The Chief Executive Officer of the CPI Group decides on the salaries of members of Management. The Board of Directors of CPI decides on the salary of the Chief Executive Officer as a member of Management.

Body	Salaries in 2011 (TCZK)	
	CPI	Other companies of the CPI Group
Board of Directors	2 174 513	5 521 784
Supervisory Body	0	9 275 575
Management	3 959 296	13 916 899

Members of the Supervisory Board, members of the Board of Directors and members of Management of the CPI Group did not have any other monetary or non-monetary income in 2011 besides the salary which they received as employees of CPI, CPI Services, a.s. or CPI – Facility, a.s. The salaries do not have a variable component.

Members of the Supervisory Board, members of the Board of Directors and members of Management of the CPI Group as employees of CPI, CPI Services, a.s or CPI – Facility, a.s. did not receive any additional benefits in 2011 compared to other employees of CPI, CPI Services, a.s or CPI – Facility, a.s.

Members of the Supervisory Board, members of the Board of Directors, other persons with executive powers and persons close to them do not own any shares issued by CPI and they are not contractual parties to any option or similar contracts, the underlying assets of which are participating securities issued by CPI, and no such contracts have been concluded to their benefit.

Statement

They are no conflicts of interest for members of the Supervisory Board, the Board of Directors and Management of the CPI Group.

7.6. Approach to Risks in Relation to the Financial Reporting Process

As of 31 December 2011, the CPI Group was exposed to the following risks arising from financial assets and financial liabilities:

Credit Risk

Credit risk refers to the risk of losses, to which the CPI Group is exposed in the event that third parties (e.g. tenants) fail to fulfill their obligation toward the CPI Group arising from their mutual financial or business relationships.

Liquidity Risk

Liquidity risk refers to the risk of short-term lack of liquid funds to cover outstanding liabilities of the CPI Group, i.e. imbalance in the structure of assets and liabilities. In the case of the CPI Group, this is particularly a risk arising from the Group's loan agreements, according to which the creditor is entitled to require immediate maturity of the loan in the case of a breach of contractual conditions.

Market Risk

The market risk includes the possibility of a negative development of the CPI Group's asset value due to unexpected changes in the underlying market parameters such as exchange rates or interest rates. The CPI Group is exposed to a currency risk mainly in connection with the sale, purchase and financing denominated in other currencies, mainly in Euros. The interest rate risk is related primarily to long-term debt financing of the Group, for which a floating interest rate is contracted in a substantial extent. These obligations mainly include bank loans, issued bonds and leasing obligations.

Key Person Risk

The key person risk refers to the risk that the CPI Group is not able to retain and motivate persons who are important in terms of the ability to create and implement the main strategies of the CPI Group. Key persons include members of the CPI Group Management.

Risk of Information Leakage

The CPI Group employs persons who contribute to the preparation of the strategy for the entire CPI Group, the creation of new products and determination of the Group's business direction. In the event of a leakage of sensitive information about CPI or CPI Group companies, the functioning of the entire CPI Group may be jeopardized or its current market position can be lost which could ultimately lead to a deterioration of its financial results.

Dependence of the CPI Group on Lease of Properties

Due to the fact that the CPI Group operates in the field of property rental, its financial results depend on the existence of tenants who are willing and able to lease and operate real estate owned by the CPI Group. If there were a substantial loss of tenants, this fact could adversely affect the economic and financial situation of the CPI Group.

Risk of Early Termination of Lease Agreements by Current or Future Tenants

Early termination of lease agreements by the current or future tenants represents a risk that in the event of an early termination of a lease agreement the CPI Group (as the lessor) will not be able to immediately find another tenant willing to enter into a lease agreement under similar conditions. A great part of concluded lease agreements are long-term leases of commercial properties owned by the CPI Group (retail shopping centers, office buildings and logistics centers) and therefore an early termination of an agreement by a major tenant could have a significant impact on the economic performance of the Group.

Risk Associated with the Development of Market Rent

An important area of the CPI Group's business in the Czech Republic is rental housing, in which state-controlled rent prevailed until the end of 2010. Currently, most apartments owned by the CPI Group are subject to market conditions. Market rent, as opposed to state-controlled rent, reflects the relationship of supply and effective demand in the local housing market. Therefore, the CPI Group is exposed to the risk that the market rent may have a downward trend in the future in the event that the supply of rental housing substantially outweighs the demand for rental housing (e.g. due to the economic recovery, the income situation of individuals will improve, mortgage loans will be more readily available again, which could increase the interest in owning a home). Any decrease in the market rent could have a negative impact on the economic performance of the CPI Group.

Dependence of the CPI Group on the Indebtedness of the Target Group of Tenants

The CPI Group is to some extent dependent on the solvency of the target group of tenants, however, it is not able to affect their payment practices. The overall increase in indebtedness of a household budget can ultimately lead to the failure to pay the agreed rent which could negatively affect the cash-flow of the CPI Group and simultaneously increase the costs of legal action and debt recovery.

Changing Lifestyles or Living Standards May Adversely Affect the Interest in Rental Housing

Possible future changes in the preferences of tenants, trends in housing or an increase in the living standards of the population in a given location can lead to a significant reduction of interest in rental housing. An increasing preference for owning a home compared to rental housing can ultimately lead to a significant loss of tenants.

Risk Associated with Low Liquidity of Real Estate

The risk of investing in real estate is linked to its low liquidity. Unlike financial assets, the sale of real estate is a more complex and long-term matter which could adversely affect the profitability of investments in real estate.

Risk of Insolvency Proceedings

Certain legal effects (particularly restrictions on the ability of the debtor to dispose of its property) are generally associated with the commencement of insolvency proceedings against a debtor. These effects occur regardless of whether the insolvency petition is justified or not. Generally, it cannot be excluded that, in the event that an unjustified insolvency petition were submitted against the CPI Group, the CPI Group would be limited for some time in the management of its assets which could adversely affect its financial situation.

Other Operational Risks

Other risks include competition, risks associated with the insurance of the CPI Group, a risk associated with development construction and a risk associated with the location of development projects.

7.7. Internal Control

An essential part of the control system are internal guidelines of the CPI Group relating to accounting, the principle of which is to determine procedures, responsible persons and deadlines for individual tasks. The internal regulations used by the CPI Group include especially a signature and responsibility order, a guideline for the circulation of accounting documents, a chart of accounts, an internal guideline governing the rules relating to tangible and intangible fixed assets, rules relating to the inventory, rules for accounting for costs and revenues, guidelines governing stocktaking, guidelines governing rules for accounting for adjustments, creation and accounting for reserves, rules for financial statements and other internal regulations.

Continuous controls of linkages between individual accounts in the area of fixed assets, inventories, short-term financial assets and accounting relationships are performed within the accounting unit. The control process is continuously evaluated and in the event that any shortcomings are detected, steps are taken to quickly remedy the situation and prevent any future occurrence. Financial statements are presented to the CPI Group Management quarterly.

The system of internal control in the Group consists in the internal regulation base containing the control mechanisms and active work of the supervisory authority as well as external audit which is conducted twice a year (pre-audit and audit for the current fiscal period). Results of external audits are submitted to the Board of Directors and the Supervisory Board of CPI which authorizes the CPI Group Management to draw consequences and subsequent steps from the findings.

7.8. Corporate Governance Code

CPI and the CPI Group did not adopt a binding corporate governance code. Czech Property Investments complies with all provisions of the Commercial Code relating to the shareholder rights - particularly to their right to influence CPI in matters such as the election of members of the Board of Directors and changes in the Articles of Incorporation. CPI duly convenes General Meetings and ensures equal treatment of all shareholders. In carrying out its statutory duties, Czech Property Investments regularly reports on its financial situation, performance, ownership and management. Above and beyond its statutory duties, it regularly reports on all significant matters affecting its business and the CPI Group. The reason, why the CPI Group did not create or adopt any Code, is mainly the fact that the shares issued by CPI are not publicly traded and the existing simple shareholder structure with a single shareholder.

Neither CPI, and with regard to the employment of workers within the CPI Group nor CPI Services, a.s., nor CPI - Facility, a.s. have established any committees for audit or a separate unit of internal audit. Control of internal processes of individual departments falls fully within the competences and responsibilities of individual members of the CPI Group Management. As part of the internal control , members of the CPI Group Management are responsible for the following:

- Reliability and sharing of information;
- Compliance with generally binding legal regulations and internal regulations;
- Protection of property and proper use of resources;
- Achievement of set objectives.

8. REPORT ON THE CPI GROUP

8.1. Data on Czech Property Investments, a.s.

Czech Property Investments, a.s., with its registered office at Prague 1 Václavské náměstí 1601/47, 110 00, IČ (Company Identification Number) 42716161, was established on 17 December 1991 for an indefinite period of time. It carries out its activities in accordance with Czech law, under the Act No. 513/1991 Coll., Commercial Code, as amended.

According to the Article 4 of the Articles of Incorporation of CPI valid as of 31 December 2011, the subject of business is:

- Accounting consulting, bookkeeping;
- Lease of properties, apartments and non-residential space;
- Public auctions - voluntary;
- Production, trade and services not listed in Appendices 1 - 3 of the Trade Licensing Act.

CPI was registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1115. Documents are filed in the collection of documents and in the registered office of the Company.

Contact Information:

Czech Property Investments, a.s.
Václavské náměstí 1601/47
110 00 Prague 1
Tel: +420 281 082 110
Fax: +420 281 082 150
E-mail: cpi@cpi.cz
www.cpi.cz

Since 1 January 2005, Czech Property Investments, a.s. has been reporting its results in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS).

As of 31 December 2011, the following companies, in which Czech Property Investments, a.s. directly or indirectly has a controlling or significant influence, are part of the CPI consolidation unit. Czech Property Investments, a.s is not dependent upon other entities in the CPI Group.

Czech Property Investments, a.s.					
100.00%	ABIGAIL, a.s.				
	100.00%	Považská Bystrica Investments, s.r.o.			
100.00%	AB BHV spol. s.r.o.				
100.00%	Bageleot, a.s.				
100.00%	Balvinder, a.s.				
	100.00%	SHEMAR INVESTMENTS LIMITED			
100.00%	Baudry, a.s.				
	100.00%	Baudry Beta, a.s.			
			100,00%	Baumarkt České Budějovice s.r.o.	
	100.00%	CB Property Development, a.s.			
	100.00%	Farhan, a.s.			
	100.00%	Lockhart, a.s.			
100.00%	BAYTON SR, a.s.				
	100.00%	Komárno Investments, s.r.o.			
100.00%	Beroun Property Alfa, a.s.				
100.00%	Beroun Property Development, a.s.				
100.00%	Camuzzi, a.s.				
	100.00%	RK Building, s.r.o.			
100.00%	Carpenter Invest, a.s.				
100.00%	Conradian, a.s.				
100.00%	CPI - Bor, a.s.				
100.00%	CPI - Facility, a.s.				
100.00%	CPI - Land Development, a.s.				
100.00%	CPI - Orlová, a.s.				
100.00%	CPI - Real Estate, a.s.				
	100.00%	Olomouc City Center, a.s.			
100.00%	CPI - Štupartská, a.s.				
100.00%	CPI - Zbraslav, a.s.				
100.00%	CPI BYTY, a.s.				
	100.00%	BPT Development, a.s.			
	100.00%	Březiněves, a.s.			
100.00%	CPI City Center ÚL, a.s.				
	100.00%	Hraničář, a.s.			
100.00%	CPI Facility Slovakia, a.s.				
100.00%	CPI Finance Ireland				
100.00%	CPI Finance Netherland				
100.00%	CPI Finance, a.s.				
100.00%	CPI Hotels Properties, a.s.				
100.00%	CPI Management, s.r.o.				
100.00%	CPI Park Mlýnec, a.s.				
100.00%	CPI Property, s.r.o.				
100.00%	CPI Reality, a.s.				
100.00%	CPI Retails ONE, a.s.				
	100.00%	Řepy Investments, s.r.o.			
	100.00%	Mělník Investments, s.r.o.			
	100.00%	Pardubice Investments, s.r.o.			
100.00%	CPI Retails TWO, a.s.				
	100.00%	Náchod Investments, s.r.o.			
	100.00%	Chrudim Investments, a.s.			
100.00%	CPI Services, a.s.				
100.00%	ELAMOR, a.s.				
100.00%	FL Property Development, a.s.				
100.00%	IGY2 CB, a.s.				

	100.00%	LUDLOW a.s.		
100.00%	Kerina, a.s.			
100.00%	Komura, a.s.			
	100.00%	BRILLIANT VARIETY s.r.o.		
100.00%	Malerba, a.s.			
	100.00%	Betonstav spol. s r.o.		
	100.00%	Český Těšín Property Development, a.s.		
	100.00%	Trebišov Property Development, s.r.o.		
	100.00%	Komárno Property Development, a.s.		
	100.00%	Liptovský Mikuláš Property Development, a.s.		
	100.00%	MB Property Development, a.s.		
	100.00%	Michalovce Property Development, a.s.		
	100.00%	Modřanská Property, a.s.		
	100.00%	Nymburk Property Development, a.s.		
	100.00%	OC Nová Zdaboř, a.s.		
	100.00%	Považská Bystrica Property Development, a.s.		
	100.00%	Prievidza Property Development, a.s.		
	100.00%	Ružomberok Property Development, a.s.		
	100.00%	Třinec Property Development, a.s.		
	100.00%	Čadca Property Development, s.r.o.		
	100.00%	Zvolen Property Development, a.s.		
100.00%	Marissa, a.s.			
	100.00%	HERTONE, a.s.		
		1.00%	Auto - priemyselný park, s.r.o. Lozorno	
			100%	A/L SK Office 2 s.r.o.
	100.00%	Marissa Alfa, a.s.		
		100.00%	OLYMPIA Teplice s.r.o.	
	100.00%	Marissa Beta, a.s.		
		100.00%	OLYMPIA Mladá Boleslav s.r.o.	
	100.00%	Marissa Delta, a.s.		
	100.00%	Marissa East, a.s.		
	100.00%	Marissa Epsilon, a.s.		
	100.00%	Marissa Gama, a.s.		
		100.00%	Office Star Fourteen, spol. s r.o.	
	100.00%	Marissa Ióta, a.s.		
	100.00%	Marissa Kappa, a.s.		
		50.00%	COPA Centrum Národní, s.r.o.	
	100.00%	Marissa Ksí, a.s.		
		100.00%	CPI - City Park Jihlava, a.s.	
	100.00%	Marissa Lambda, a.s.		
	100.00%	Marissa North, a.s.		
	100.00%	Marissa Omega, a.s.		
	100.00%	Marissa Omikrón, a.s.		
	100.00%	Marissa Sigma, a.s.		
	100.00%	Marissa South, a.s.		
	100.00%	Marissa Tau, a.s.		
	100.00%	Marissa Théta, a.s.		
	100.00%	Marissa West, a.s.		
		100.00%	Office Star Four, spol. s r.o.	
		100.00%	Office Star One, spol. s r.o.	
		100.00%	Office Star Seven, spol. s r.o.	
		100.00%	Office Star Ten, spol. s r.o.	
		100.00%	Office Star Thirteen, spol. s r.o.	
		100.00%	Office Star Three, spol. s r.o.	

	100.00%	Marissa Yellow, a.s.			
	100.00%	Marissa Ypsilon, a.s.			
	100.00%	NERONTA, a.s.			
		99.00%	Auto - priemyselný park, s.r.o. Lozorno		
				100%	A/L SK Office 2 s.r.o.
100.00%	MUXUM, a.s.				
100.00%	Prague Property Development, s.r.o.				
100.00%	Strakonice Property Development, a.s.				
100.00%	Svitavy Property Alfa, a.s.				
	100.00%	DOREK Vysoké Mýto, a.s.			
	100.00%	TRIFIT Vysoké Mýto s.r.o.			
100.00%	Svitavy Property Development, a.s.				
100.00%	Telč Property Development, a.s.				
100.00%	Trenčín Property Development, a.s.				
	100.00%	Dunajská Streda Investments, s.r.o.			
100.00%	Trutnov Property Development, a.s.				
	100.00%	MAPON, a.s.			
100.00%	U Svatého Michala, a.s.				
100.00%	Vigano, a.s.				
100.00%	VM Property Development, a.s.				
100.00%	Vyškov Property Development, a.s.				
100.00%	Žďár Property Development, a.s.				
100.00%	Ždírec Property Development, a.s.				
99.96%	Družstvo Land				
	100.00%	CPI Park Žďárek, a.s.			
	100.00%	CPI - Krásné Březno, a.s.			
50.00%	VT Holding, a.s.				
	100.00%	4B Property, s.r.o.			
	100.00%	VT Alfa, a.s.			
		100.00%	Horova Immo s.r.o.		

8.2. Securities

8.2.1. Shares

Shares of Czech Property Investments, a.s. are common shares in the form of paper certificates, issued to the bearer. They are not listed securities, the nominal value is CZK 800 per share. The total nominal value of the issue is CZK 4 428 140 000.
Income from the shares is taxed according to the Act No. 586/1992 Coll., on Income Tax, as amended. The tax is applied as a deduction on the dividend payment.

Shares of CPI are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act.
The share owner does not have any exchange or first option right, the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

Dividend payments are made by the Board of Directors of CPI in accordance with the decision of the General Meeting which determines the place and date of dividend payments. The latest date of

dividend payment is the date designated as the reference date for the eligibility to participate in the General Meeting. The latest date of dividend payment is the date designated as the reference date for the dividend payment. Unless the General Meeting decides otherwise, the dividend is payable within one year of the date on which the General Meeting decided on profit distribution.
After dissolution of CPI through liquidation, each shareholder is entitled to a share in the liquidation balance.
Shares of CPI are not traded on any public or regulated domestic or foreign market.

Data on the Share Capital
The share capital of CPI is CZK 4 428 140 000 and it is divided into 5 535 175 shares with a nominal value of CZK 800 per share.
The share capital of CPI has been paid in full, it is not subject to any option or exchange rights. CPI is not a direct holder of any of its own participating securities. On 21 December 2011, the share capital of CPI was increased by CZK 1 334 641 600.

Shareholder structure of CPI as of 31 December 2011:

Shareholder	Share in share capital
Mr Radovan Vítek	100.00%
Total	**100.00%**

CPI is not aware of any information about agreements between the shareholders that may make the transferability of shares or voting rights more difficult.

Data on Equity
The value of equity as of 31 December 2011 is TCZK 7 888 618 and it consists of: share capital (TCZK 4 428 140), share premium (TCZK 122 800), revaluation reserve (TCZK 465 941), other reserves (TCZK 1 186 477), retained earnings and accumulated loss (TCZK 1 685 260). Compared to 2010, the equity of CPI increased by TCZK 3 259 613.

8.2.2. Bonds

CPI CZK VAR/19 Bond
On 29 March 2012, CPI issued bonds titled CPI CZK VAR/19 Bond. The bonds are issued in book-entry form in the bearer's name. The nominal value of each bond is CZK 1.00. The bonds were admitted to trading in the open market of the Prague Stock Exchange and thus became a listed security and a security admitted to trading in the regulated market. The estimated total nominal value of the issue is CZK 2 000 000 000.
The bonds bear interest at a floating interest rate. The interest income will be payable semi-annually retrospectively always by 29 March and 29 September of the respective year. The first payment of the interest income will be payable after 6 months of the date of issue. The nominal value of the bonds shall be repaid on 29 March 2019. The interest income will be determined according to the conditions of the issue using the 6M PRIBOR + 6.5 % p.a. interest rate.

Yields on the bonds are taxed in accordance with the Act No. 586/1992 Coll., on Income Tax, as amended. At the repayment of the nominal value of the bonds and the payment of the interest income, applicable taxes and fees will be deducted from the payments to the bond owners where required by Czech law.

Bond owners may request or decide on an early repayment of the bonds under certain conditions. Payments on the bond are in all cases made in accordance with the law applicable and effective at the time of the relevant payment in the Czech Republic.

Conditions of issue of the CPI CZK VAR/19 Bonds were approved by the decision of the Czech National Bank Ref. No. 2012/2781/570 of 27 March 2012 which came into force on 27 March 2012.

The ISIN code of the bonds is CZ0003501868.

CPI EUR VAR/19 Bond

On 23 March 2012, CPI issued bonds titled CPI EUR VAR/19. The bonds are issued in book-entry form in the bearer's name. The nominal value of each bond is EUR 500.00. The bonds were admitted to trading in the open market of the Prague Stock Exchange and thus became a listed security and a security admitted to trading in the regulated market. The estimated total nominal value of the issue is EUR 70 000 000.

The bonds bear interest at a floating interest rate. The interest income will be payable semi-annually retrospectively always by 23 March and 23 September of the respective year. The first payment of the interest income will be payable after 6 months of the date of issue. The nominal value of the bonds shall be repaid on 23 March 2019. The interest income will be determined according to the conditions of the issue using the 6M PRIBOR + 6.5 % p.a. interest rate.

Yields on the bonds are taxed in accordance with the Act No. 586/1992 Coll., on Income Tax, as amended. At the repayment of the nominal value of the bonds and the payment of the interest income, applicable taxes and fees will be deducted from the payments to the bond owners where required by Czech law.

Bond owners may request or decide on an early repayment of the bonds under certain conditions. Payments on the bond are in all cases made in accordance with the law applicable and effective at the time of the relevant payment in the Czech Republic.

Conditions of issue of the CPI EUR VAR/19 Bonds were approved by the decision of the Czech National Bank Ref. No. 2012/2445/570 of 16 March 2012 which came into force on 19 March 2012.

The ISIN code of the bonds is CZ0003501843.

CPI EUR VAR/15 Bond

On 23 March 2012, CPI issued bonds titled CPI EUR VAR/15. The bonds are issued in book-entry form in the bearer's name. The nominal value of each bond is EUR 500.00. The bonds were admitted to trading in the open market of the Prague Stock Exchange and thus became a listed security and a security admitted to trading in the regulated market. The original estimated total nominal value of the issue was EUR 10 000 000. On 29 March 2011, the Board of Directors of CPI decided to increase the issue by EUR 5 000 000 in accordance with the conditions of issue.

The bonds bear interest at a floating interest rate. The interest income will be payable semi-annually retrospectively always by 23 March and 23 September of the respective year. The first payment of the interest income will be payable after 6 months of the date of issue. The nominal value of the bonds shall be repaid on 23 March 2015. The interest income will be determined according to the conditions of the issue using the 6M PRIBOR + 6.5 % p.a. interest rate.

Yields on the bonds are taxed in accordance with the Act No. 586/1992 Coll., on Income Tax, as amended. At the repayment of the nominal value of the bonds and the payment of the interest income, applicable taxes and fees will be deducted from the payments to the bond owners where required by Czech law.
Bond owners may request or decide on an early repayment of the bonds under certain conditions. Payments on the bond are in all cases made in accordance with the law applicable and effective at the time of the relevant payment in the Czech Republic.
Conditions of issue of the CPI EUR VAR/15 Bonds were approved by the decision of the Czech National Bank Ref. No. 2012/2446/570 of 16 March 2012 which came into force on 19 March 2012.
The ISIN code of the bonds is CZ0003501835.

CPI2021 Bond
On 8 February 2007, CPI issued bonds titled Bond CPI2021, ISIN CZ0003501496. The bonds are certified in the bearer form and are issued in the total amount of 1 250 pcs, each with the nominal value of 2 000 thousand CZK. Bonds can be issued in a single emission or gradually. The term for the subscription of the bond is 8 months from the date of issue. The issue rate of the bonds issued as of the emission date is 100% of their nominal value. After the emission date the relevant aliquot interest revenue will be added to the nominal value. The assumed total nominal value of the emission is TCZK 2 500 000. The bonds are charged with a floating interest rate. Interest revenues are payable always on 8 February and on 8 August of the current year retroactively.
The annual interest rate is equal to the sum of the 6M PRIBOR defined according to the Emission conditions and the margin amounting to 3.5% p.a. Interests are taxed in accordance with Act No. 586/1992 on Income Tax as amended. The repayment of the nominal value of bonds is performed without any tax charges. The holders of bonds may under certain conditions require or decide on bond prepayment. Payments from bonds are in all cases made in accordance with legal regulations valid at the time of relevant payment in the Czech Republic.
The Emission conditions of CPI2021 bonds were approved by the decision of the Czech National Bank ref. no. 45/N/175/2006/4 which came into force on 22 January 2007.
Bonds are not traded on a public or any other regulated domestic or foreign market.

8.3. History of the CPI Group

The CPI Group celebrated its 20th anniversary at the end of 2011. Although in its early days it focused exclusively on capital market activities, its successful performance in this area subsequently became a cornerstone of today’s prosperous real estate holding.

1998 – 2002

The beginnings of business activities in the real estate market fall in the late 1990s when the CPI Group began to focus on management of movable and immovable property and later also on development activities. The Group invested in the purchase of real estate and repairs and reconstructions of buildings for commercial use. The main activities in this time period were directed primarily - besides the capital of Prague - to the area of the Western and Northern Bohemia. The CPI Group’s portfolio expanded also with rental residential houses in Ústí nad Labem, Brno and Prague, and in the retail business with hypermarkets in Cheb, Nymburk and Vyškov, the long-term tenant of which is AHOLD Czech Republic a. s.

2003 – 2007

The early years gave away to a period of great expansion mainly in the asset value of the Group which was also reflected in the internal structure and diversification of activities. Property management and rental maintained the dominant position and acquisition activities significantly showed in the asset value. Particularly, the segment of hotel accommodation, rental housing and retail in Prague, regions and in Slovakia grew stronger. In addition, the fund of lands intended for construction of mainly residential projects also extended.

During this period, the CPI Group also significantly expanded in development. It launched and successfully completed several projects in Prague, which it then sold to end customers. About 900 originally rental apartments in Prague-Letňany were also sold with success. The position of a major developer on the Prague market was also enhanced by the construction of the Fénix Shopping Gallery and the Clarion Congress Hotel in Vysočany, which was completed in the spring of 2008.

2008 – 2009

Despite a significant suspension of activities on the property market caused by the global financial and subsequently economic crisis, the Company managed to complete and successfully sell or open several projects in the field of housing and hotel accommodation. The only project initiated in this period was a multipurpose complex in Ústí nad Labem called the CPI City Center containing offices, business units and a four-star hotel.

With regard to the global aspects affecting the financing of projects, the CPI Group focused in this period mainly on the consolidation of assets and capital and prepared its ground for future investment. The Company took the opportunity to acquire several business shares and initiated changes in the shareholder structure which subsequently led to its simplification.

2010

The year 2010 represents an important milestone in the Company history. During the year, the Company significantly invested primarily in existing properties and it also developed its activities in other sectors of the real estate industry. Acquisitions affected nearly all segments: The CPI Group significantly expanded its housing stock of rental housing, it expanded in retail, increased the number of office spaces and grew stronger in the hotel industry. At the end of the year, an important change was made in the shareholder structure which narrowed down to a sole owner of the entire CPI Group.

2011

The year 2011 fully continues in the acquisition and development activities of the previous year and it clearly exceeds it in terms of volume. Thanks to its acquisitions, the CPI Group has a diversified portfolio in all five segments. Top office buildings, important shopping centers, industrial areas and development projects or buildings smaller in terms of area, however equally important in terms of volume, appear among deals closed at this time.

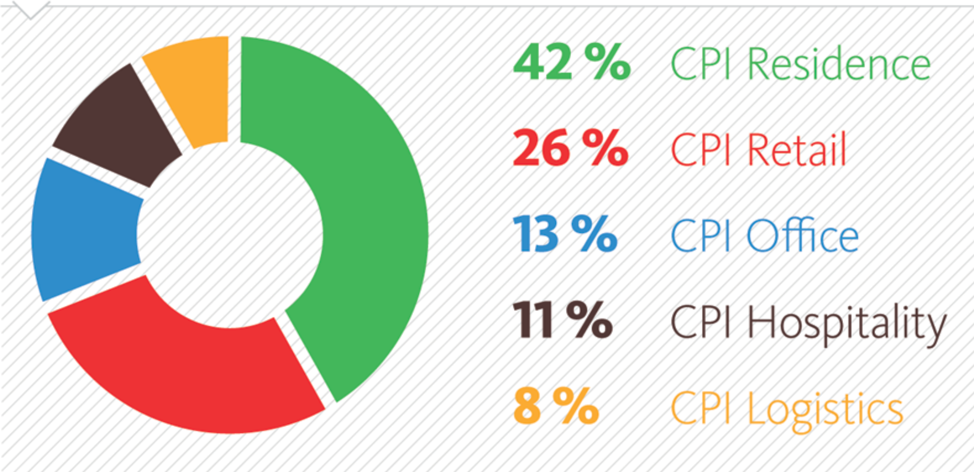
Development focusing on the reconstruction of hotels as well as the construction of another multipurpose center and retail parks in the Czech Republic and Slovakia also recorded significant activity.

A change was also made in the Board of Directors of Czech Property Investments, a.s. as Radovan Vítek, currently the sole shareholder of the CPI Group, became the Chairman of the Board.

9. CPI GROUP REAL ESTATE PORTFOLIO

The CPI Group operates in purchasing, construction, management and lease of commercial real estate in the Czech and Slovak Republics. It focuses on these activities in five main segments: retail, offices, hotel and long-term accommodation, residences and logistics. A separate reporting area is formed by so-called multipurpose properties that combine multiple functions. The various focus of properties and their number increased significantly in the last two years thanks to acquisitions. The ratio of individual segments represented in the company portfolio changed markedly compared to previous years.

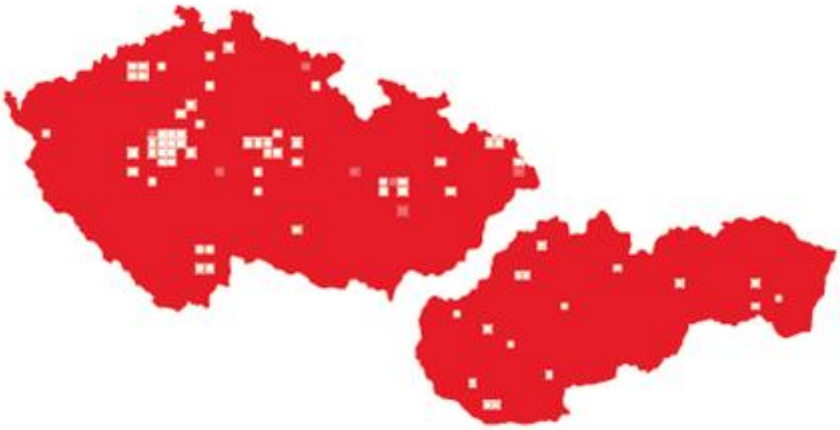
Segments by leasable area:



9.1. CPI RETAIL

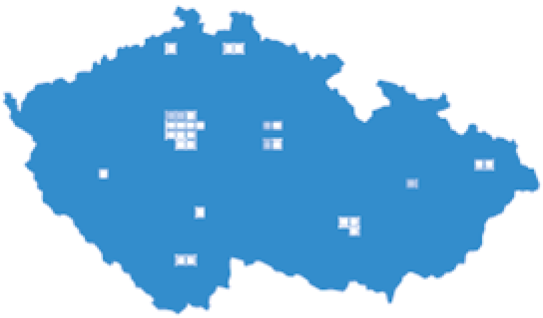
In the portfolio of the CPI Group, retail represents a dynamically developing industry which very flexibly adapts to market conditions. Retail properties of the CPI Group are characterized by great diversity, both in the physical form as well as in their geographical distribution. The CPI Group is dedicated to its own construction as well as acquisitions and further development of existing retail projects. The Group currently owns and manages 500 000 sq. m of retail space in the Czech and Slovak Republic which are further divided into subcategories:

- Separate business units (usually part of office and multipurpose complexes);
- Retail warehouse (supermarkets, hypermarkets, hobby markets and retail parks);
- Shopping centers and galleries;
- So-called special properties (separate units and establishments, usually B class).



9.2. CPI OFFICE

Office space forms an important and relatively new part of investment and development activities of the CPI Group. The Group presents itself with existing administrative buildings at prestigious addresses as well as with projecting and construction of its own office buildings in Prague and regional cities of the Czech Republic. Development includes particularly multipurpose complexes with an administrative and business function, a convention center, a hotel and adequate facilities. The CPI Group currently owns over 230 000 sq. m of office space in eleven cities of the Czech Republic. In the medium term, it is planning a construction of another 150 000 sq. m of office space mainly in the Czech Republic.



9.3. CPI HOSPITALITY

Hotels and long-term accommodation form one of the oldest components of the CPI Group property portfolio. The Group is now one of the largest owners and developers of hotel and long-term accommodation in the Czech Republic. The hotel network currently counts 14 hotels in Prague and regional cities with a total capacity of 7 800 beds and nearly 7,000 conference seats. The set of activities in this segment includes reconstruction of original buildings and construction of entirely new hotels of various standards. The diverse portfolio includes lodging houses for long-term accommodation and hotels in the category from two to five stars. The flagship of the Group is a network of four-star Clarion hotels aimed at the corporate and congress clientele.

9.4. CPI RESIDENCE

Residential properties have been at the forefront of the CPI Group's interest for many years. The Group is an important player particularly in the field of residential housing where it is in the position of the second largest rental provider in the Czech Republic with more than 12 700 apartment units. The CPI Group can also boast about a number of successful development projects. Activities of the Group in this sector include reconstruction of historical buildings and construction of apartment and family houses mainly in Prague and Central Bohemia.

9.5. CPI LOGISTICS

Logistics is the youngest sector in the history of the CPI Group. The CPI Group owns 280 000 sq. m of spaces used for light industrial production and storage and another 8 000 000 sq. m of land in attractive locations intended for the construction of new complexes. Currently, the CPI Group owns and manages a complex in Brandýs nad Labem and in the Slovak town of Lozorno. Several other projects are ready for construction on the basis of a specific order, mainly in the regions of Northern and Western Bohemia.

The extensive and diverse portfolio of real estate requires a number of supporting activities, which are outsourced in a limited extent by the CPI Group, however, the Group mainly provides them from its own resources, whether in the field of leasing and management of commercial properties, their operation, technical support and administration associated with it, financial and economic background or in the field of IT and business and marketing activities. Separate departments of acquisitions and development contribute to the development of properties and the asset value.

10. PORTFOLIO OF ACTIVITIES OF THE CPI GROUP

10.1. ACQUISITIONS

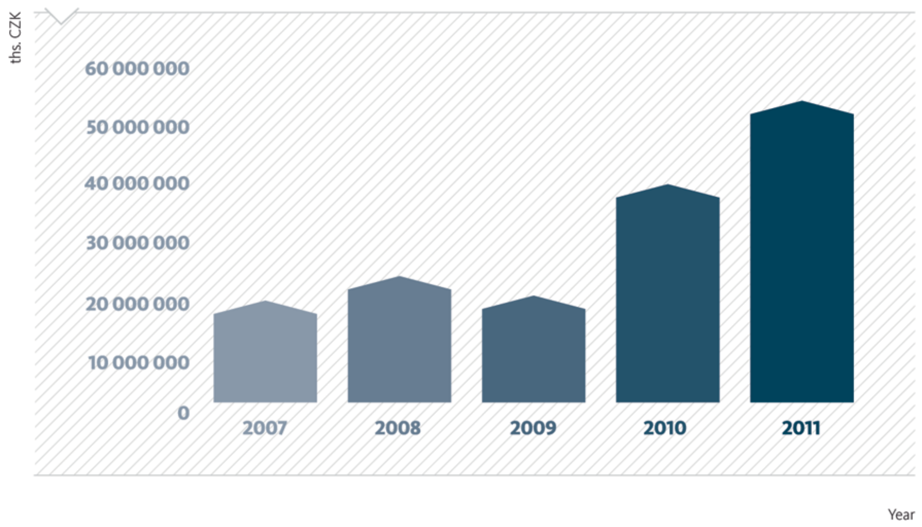
Acquisition activities of the CPI Group in 2011 clearly prevailed over its own construction. In gross numbers, the CPI Group invested CZK 16 billion in purchasing of properties from nearly all segments of its business. While in previous years, it invested mainly in land, in 2010 and 2011 funds were directed primarily to the purchase of already completed, functional projects with a clear return. Compared to 2010, when the Group for the first time heavily invested in existing buildings and spent about CZK 10 billion on real estate, the amount invested in the purchase of properties in 2011 increased by more than a half amounting to the total of CZK 16 billion.

Acquisitions significantly contributed to the diversification of the portfolio. Besides the traditional scope of activities of the CPI Group such as the segment of residences, hotel accommodation and retail, the structure of office properties expanded and logistics complexes in the Czech Republic and Slovakia newly appeared in the portfolio.

The acquisitions resulted particularly in an increased of the asset value of the CPI Group by 43.7 % from CZK 39.8 billion in 2010 to CZK 57.2 billion at the end of 2011. The increase in assets in the form of commercial real estate was then reflected in the growth of revenues from leases, which compared to 2010 almost tripled to the total of CZK 1 905 million (in 2010, revenues from lease of real estate amounted to CZK 718.6 million).

The continuous growth of the CPI Group's assets is positively reflected in the revenues from leases and hence in the profit of the Group. The CPI Group's strategy is still aimed at long-term ownership and management of real estate for lease.

Total asset of the CPI Group in ths. CZK



According to the statistics, the total volume of real estate transactions on the Czech market reached about CZK 50 billion (about EUR 2.07 billion) in 2011. The most significant share in these transactions can be assigned to industrial and retail real estate to which the CPI Group contributed significantly.

Acquisitions of 2011 affected nearly all segments of the CPI Group's activities.

10.1.1. CPI RETAIL

A large share in the expansion of the real estate portfolio and the increase in the value of the CPI Group's assets may be credited to new real estates in retail, the total area of which reached 140 000 sq. m. CPI expanded not only the number and structure of properties but besides the Czech market it also strengthened its position in Slovakia. The acquisitions also include separate supermarkets, retail parks in the Czech Republic and Slovakia, and major shopping centers in Czech regions. The original area of the retail portfolio increased to the total of 500 000 sq. m.

Penny Markets

Development projects implemented by the CPI Group in 2011.

Penny Market Březnice
Penny Market Libochovice
Penny Market Lomnice nad Popelkou

Set of Family Centers and Penny Markets

A set of ten retail complexes and two Family Center development projects in the Czech and Slovak Republics and four Penny Markets in the Czech Republic.

Total retail space: 50 000 sq. m

Operating Shopping Parks
Family Center Trutnov
Family Center Náchod
Family Center Chrudim
Family Center Mělník
Family Center Komárno
Family Center Nitra
Family Center Piešťany
Family Center Dunajská Streda
Family Center Považská Bystrica
Family Center Vranov nad Topl´ou
PENNY MARKET Chrudim
PENNY MARKET Pardubice Dubina
PENNY MARKET Prague Řepy
PENNY MARKET Ústí nad Orlicí
Development
Family Center Senica
Family Center Chrudim

Retail Parks

A Center Beroun - seven units with a total lettable area of 4 100 sq. m.
A Center Svitavy - eleven retail units with a total lettable area of 5 380 sq. m.

Business Centers Olympia Teplice and Mladá Boleslav

OC Olympia Teplice

Area:	32 000 sq. m
Number of units:	over 70
Anchor tenants:	ALBERT Hypermarket, ASKO nábytek, H&M and others.
Number of parking spaces:	1 164

OC Olympia Mladá Boleslav

Area:	27 000 sq. m
Number of units:	over 50
Anchor tenants:	ALBERT Hypermarket, DATART, Takko fashion and others.
Number of parking spaces:	1 200

Business Center City Park Jihlava

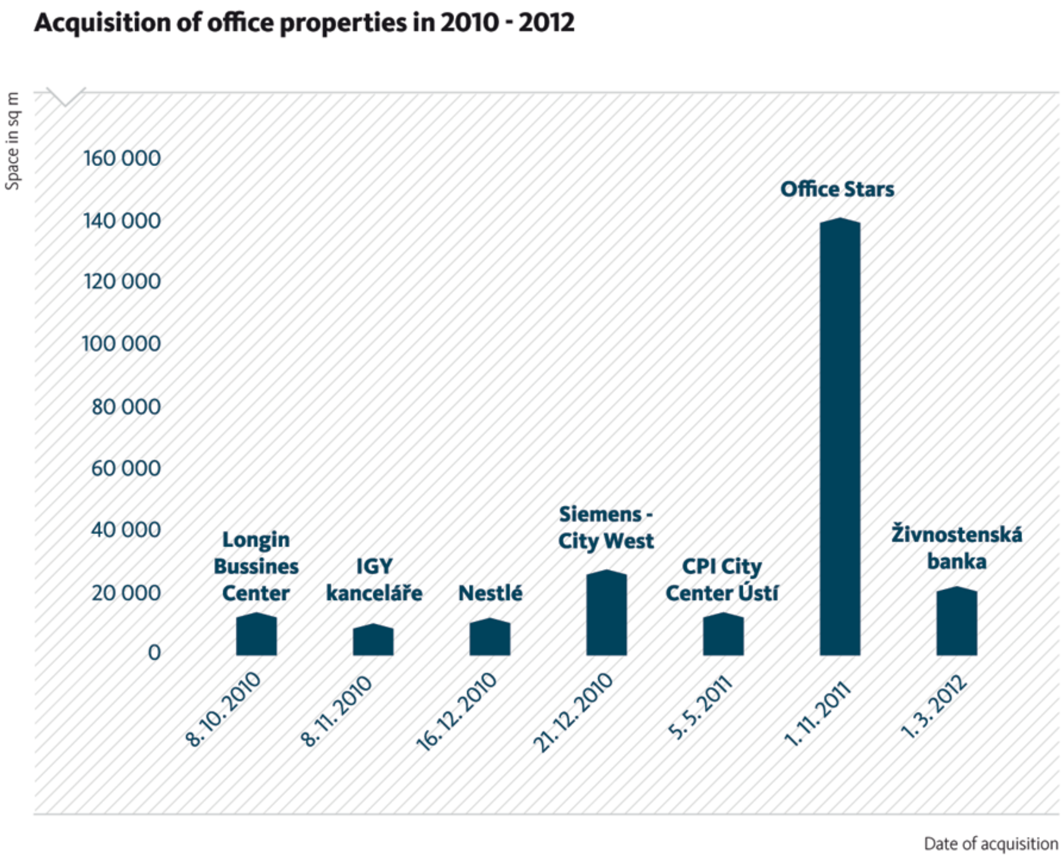
Retail area:	28 000 sq. m
Number of units:	117
Major tenants:	Hypermarket Interspar, Cine Star Cinema Complex, C&A móda, Datart, New Yorker, Hervis sport
Number of parking spaces:	850

Purchase of retail properties continues in 2012. At the end of March 2012, the CPI Group completed the acquisition of another eleven retail properties by purchasing the remaining 50% of shares in VT holding, s.r.o. The total retail area exceeded 43 000 sq. m.

Location	Property
Dubí u Teplic	Penny Market, Procházka MASO-UZENINY
Teplice – Prosetice	Penny Market, Procházka MASO-UZENINY
Teplice – Řetenice	Penny Market, Procházka MASO-UZENINY
OC Teplice - Řetenice, Jateční street	JYSK, KOBERCE TREND
Třebíč	INTERSPAR
Týniště nad Orlicí	BILLA
Teplice	OKAY elektro
Prague 4 – Braník	BILLA
Prague 7 – Holešovice	BILLA
Kolín	BILLA
Zlín	BILLA

10.1.2. CPI OFFICE

At the beginning of 2011, the office segment of the CPI Group was represented mainly by buildings in Prague which were historically owned by the company or purchased in 2010. During 2011, the number of office space for lease doubles to a total of 230 000 sq. m and the CPI Group also expanded to the regional cities of the Czech Republic. The investment in existing buildings, especially in the purchase of the portfolio of Office Stars companies (19 buildings in the total value of CZK 5.4 billion), played a significant role in the expansion. Thanks to this investment, the CPI Group now owns office spaces in eleven cities of the Czech Republic and is one of the largest administrators of office space in the country.



Office Star Companies

The purchase of office buildings with the main tenant, Česká pojišťovna, a. s., completed in September 2011, which besides an increase in the assets also diversified the office portfolio in terms of the age and locations of buildings, was dramatically reflected in the portfolio structure. The acquisition includes a total of seven Office Star companies in seven cities of the Czech Republic with a total office area exceeding 122 000 sq. m.

Company	Location	Area in sq m
Office Star One	IGY Office, České Budějovice	11 617
	CPI City Center Ústí nad Labem	12 038
	Česká pojišťovna, Pardubice	3 504
	Total	**27 159**
Office Star Three	Tokovo building, Prague 7	19 644
Office Star Four	Spálená street I., Prague 1	5 276
	Vladislavova street, Prague 1	6 966
	Spálená street II., Prague 1	3 008
	Total	**15 250**
Office Star Seven	Česká pojišťovna, Brno Moravské náměstí	5 510
	Česká pojišťovna, Brno centrum II.	4 207
	Česká pojišťovna, České Budějovice	2 301
	Česká pojišťovna, Hradec Králové	2 985
	Česká pojišťovna, Liberec – new building	1 371
	Česká pojišťovna, Liberec - old building	1 278
	Česká pojišťovna, Ostrava I.	1 018
	Česká pojišťovna, Ostrava II.	1 442
	Česká pojišťovna, Plzeň	2 852
	Total	**22 964**
Office Star Ten	Česká pojišťovna, Tábor	2 961
Office Star Thirteen	Česká pojišťovna, Prague Pankrác II.	8 244
Office Star Fourteen	Česká pojišťovna, Prague Pankrác I.	26 393
Total area		**122 615**

Samples of selected buildings in Prague:

Česká pojišťovna Headquarters – new building

Location:	Prague 4 - Pankrác
Office area:	22 500 sq. m
Retail area:	160 sq. m
Storage area:	860 sq. m
Number of parking spaces:	296
Anchor tenant:	Česká pojišťovna a.s.

Česká pojišťovna Headquarters – old building

Office area:	46 400 sq. m
Number of parking spaces:	296
Main tenant:	eská pojišťovna, a.s.
Completion of construction:	2008

Tokovo Building

Location:	Prague 7
Office area:	17 000 sq. m
Retail area:	900 sq. m
Storage area:	1 200 sq. m
Number of parking spaces:	244
Main tenant:	Supreme Audit Office of the Czech Republic, Synlab, Sotio

Complete reconstruction in 2004

Office complex Vladislavova street 17, Spálená street 14 and Spálená street 16

A complex with three office buildings with a courtyard and a retail arcade in the very city center

Location:	Prague 1
Office area:	9 450 sq. m
Retail area:	1 700 sq. m
Underground parking:	128 spaces
Anchor tenant:	Vysoká škola obchodní v Praze o.p.s.

Sample of selected properties in the regions:

Česká pojišťovna Liberec

Location:	Liberec - city center
Office area:	1 700 sq. m
Underground parking	
Anchor tenant:	Česká pojišťovna, a.s.

Office Building in Rašínova street

A historical building after reconstruction in the Brno city center

Location:	Brno - city center
Office area:	3 200 sq. m
Retail area:	300 sq. m
Anchor tenant:	Česká pojišťovna a.s.
Complete reconstruction:	1996

Česká pojišťovna Pardubice

A modern six-floor building in the city center

Location:	Pardubice - city center
Office area:	2 250 sq. m
Retail area:	470 sq. m
Anchor tenant:	Česká pojišťovna a.s.

The CPI Group portfolio was also enriched by two prestigious assets. One of them is a building of the former Živnostenská banka in Prague at the corner of Na Příkopě and Nekázanka, the other one is the COPA Centrum development project, within which the CPI Group purchased a 50% share in COPA Centrum Národní, s.r.o. and became a shareholder in the execution of one of the currently most interesting projects in Prague.

Živnostenská banka

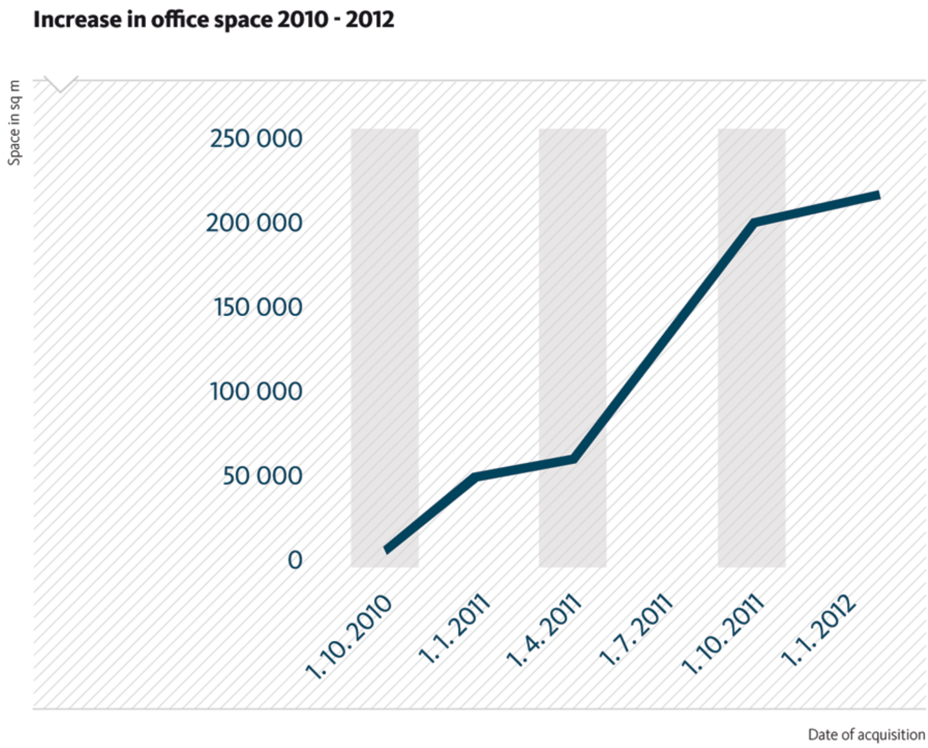
The building of the former Živnostenská banka is located in the historical center of Prague at the corner of Nekázanka and Na Příkopě. The original building was built in 1894 - 1896 in the Neo-Renaissance style as the seat of Zemská banka according to a project by architect Osvald Polívka.

Location:	Prague 1 - city center
Office area:	11 500 sq. m
Retail area:	1 200 sq. m
Parking:	46 spaces

COPA Centrum

Through its subsidiary Marissa Kappa, a.s., CPI entered the prestigious project COPA Center Národní in Prague as a 50% investor in August 2011. It is a development project which counts with a complex of six buildings for commercial use near the metro station Národní třída in the Prague city center.

Location:	Prague 1
Office area:	16 500 sq. m
Retail area:	8 300 sq. m
Number of parking spaces:	250
Estimated construction:	2012-2014



10.1.3. CPI HOSPITALITY

Hotel and long-term accommodation is one of the CPI Group's oldest areas of business. Its own development and acquisition activities go hand in hand. The CPI Group is expanding not only in the Prague hotel market but also in the entire Czech Republic. Close cooperation with a single operator is a significant competitive advantage not only in the mutual exchange of know-how on building of a hotel network but it also allows for the use of a range of synergies in sales, marketing and operations.

In 2011, CPI Group expanded its hotel portfolio of 12 hotels and lodging houses by two more establishments. The first one is its own development in Ústí nad Labem - the four-star Clarion Congress Hotel Ústí nad Labem, which is described in more detail a separate section Development, the other one is an already well-established four-star hotel in Ostrava-Zábřeh - Clarion Congress Hotel Ostrava.

Clarion Congress Hotel Ostrava****

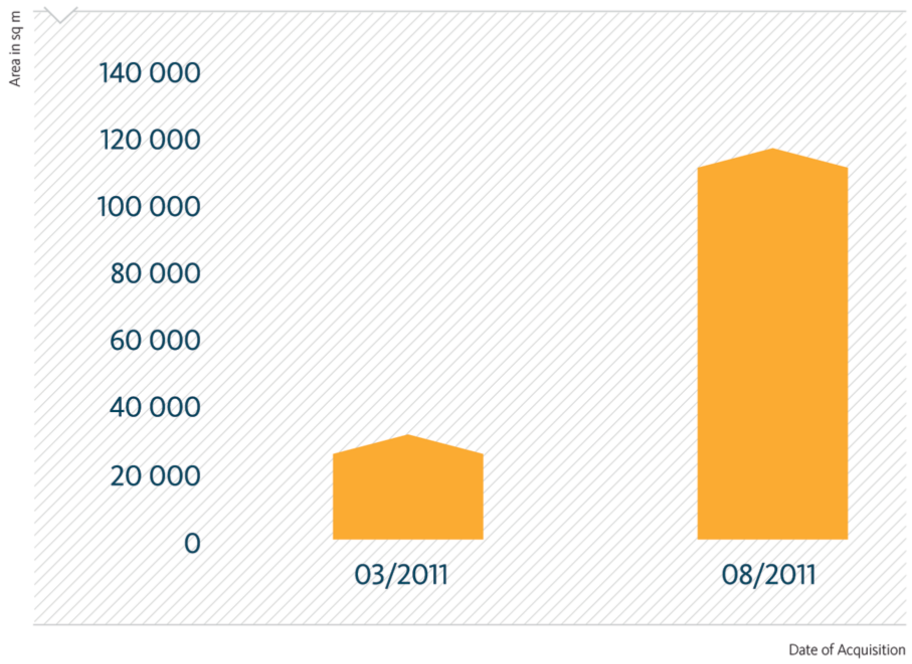
Location:	Ostrava - Zábřeh
Number of rooms:	169
Restaurants and bars:	3
Number of conference seats:	670
Special services:	fitness& wellness center, catering, Golf Resort Čeladná Restaurant

In the first half of 2012, the Company is planning a reconstruction of part of the accommodation facilities, the wellness area and the completion of the convention center that would increase the current conference capacity of the Clarion Congress Hotel Ostrava to a total of 1 200 persons.

10.1.4. CPI LOGISTICS

Until 2011, the portfolio of the CPI Group also included land and development projects which count on the construction of storage complexes and industrial zones in various parts of the Czech Republic. However, CPI actively entered the logistics sector in 2011 by purchasing two industrial complexes. In this way, the new acquisitions expanded the lines of business of the CPI Group by a fifth segment.

Increase in logistics space in 2011



Industrial Park Brandýs nad Labem

An industrial complex of Automotive Continental Czech Republic.

Location:	Brandýs nad Labem
Complex area:	3 ha
Area:	31 121 sq. m
Parking:	618 cars
Main tenant:	Automotive Continental Czech Republic
Construction completed:	2008

Automotive Park Lozorno

An industrial complex near Bratislava, the tenants of which are the main suppliers for Volkswagen.

Location:	Lozorno, Slovakia
Complex area:	25 ha
Storage area:	117 682 sq. m
Main tenants:	Continental, Inteva Production, Johnson Controls, Brose, Faurecia, IAC Group, Schnellecke
Construction completed:	2005

Acquisition Plans

In 2010 and 2011, the CPI Group became the real estate market leader in terms of investment activity. Its quality base in the form of sufficient equity, the optimal credit burden and the knowledge of the domestic market allowed the CPI Group to compete with international funds that had clearly dominated until then. The Company used their temporary absence and focused its selection of real estate on quality prime projects as well as regional or smaller properties that were equally interesting for a domestic investor, the main advantage of which was long-term smooth functioning and financial attractiveness.

The Group proved its acquisition plans and sufficient funds - its own funds as well as bank funds - already in the first quarter of 2012 when it took over 100% control over other retail real estate. The real estate market still remains the main objective of the acquisition projects, however, the Group is not avoiding other segments, if they are able to offer properties and purchase conditions of the same quality as until now.

However, the medium-term outlook does not suggest that the real estate market could offer the same opportunities for purchases in the coming years. The main objective of the CPI Group is now to try to consolidate the acquired property, fully control its management and offer services corresponding to the demands of existing and potential tenants.

10.2. DEVELOPMENT

Although acquisitions prevailed in the activities of the CPI Group in 2011, the construction of new commercial projects intended for long-term lease had an equally important share in the Group’s financial results and asset value. The CPI Group completed several regional projects in retail, offices and hotel accommodation, and it also actively entered a major Prague multipurpose project, the execution of which is expected to start in mid-2012.

10.2.1. CPI RETAIL

The CPI Group pays the greatest attention to the construction of retail space, in the form of shopping parks in larger regional cities as well as in the form of individual supermarkets. It has established close cooperation with the Penny Market network and completed a construction of three supermarkets in 2011 alone.

Cooperation with businesses - tenants of retail spaces - is actually the driving force of new constructions. The CPI Group extensively consults with retailers on their expansion strategy, the potential of selected locations and their idea of the size and operation of properties. A joint procedure of the tenants and the developer not only eliminates the potential risks for both sides in the long term but in the case of the CPI Group it also guarantees almost 100% pre-leases already during the construction.

Thanks to the development activities, the retail portfolio of the CPI Group has grown in 2011(or until April 2012 respectively) by more than 5 000 sq. m in the case of supermarkets and shopping parks

and by another 1 900 sq. m of retail spaces within the multipurpose project CPI City Center Ústí nad Labem.
According to the data of real estate agencies, developers completed about 40 000 sq. m of retail space in retail parks last year alone. The total number of shopping parks in the Czech Republic reached 135 by the end of 2011 (approximately 600 000 sq. m).

The CPI Group completed the following projects in 2011:

Penny Markets
Penny Market Březnice
Penny Market Libochovice
Penny Market Lomnice nad Popelkou

Family Center Beroun
The retail park is connected to the existing shopping zone, which was bought by the CPI Group in early 2011, and it complements the range of shops and services. The construction began in 2011, the complex opened in March 2012.

Complex area:	2 800 sq. m
Tenants:	OBI, Takko Fashion, Deichmann, Planeo Elektro, Sportisimo and Wiky hračky
Number of parking spaces:	500

The completion of another 24 complexes with a total area of about 100 000 sq. m is planned in the Czech Republic for 2012 alone. An increase of another 190 000 sq. m of shopping parks is expected in 2013.
The CPI Group is not falling behind with construction. In 2011, it started the construction of a retail park in Trutnov with 20 000 sq. m of retail space and it is planning the execution of other projects in Třinec, Kroměříž and Pelhřimov in 2012.

Retail Park Trutnov
The construction of the retail park in Trutnov with a TESCO hypermarket and an OBI hobby market began in 2011. The complex with a total area of 20 000 sq. m is expected to open in October 2012.

Complex area:	20 000 sq. m
Tenants:	TESCO, OBI
Number of parking spaces:	500

10.2.2. CPI OFFICE
Although they combine multiple functions, the CPI City Center complexes fall within the area of office development thanks to the prevailing office space. In 2011, the CPI Group completed the first of a series of multipurpose complexes in Ústí nad Labem. The connection of offices, retail, hotel

accommodation and conference facilities with their own parking facilities and supporting services proved to be a major competitive advantage. The slow interest of companies in leasing space during the construction changed significantly during last year and it is the multipurpose, modern environment and technical maturity that attracts local, national and international companies that value the top-class spaces, which are usual in the capital city, implemented also in a project of regional significance.

CPI City Center Ústí nad Labem

After two years of construction, the first multipurpose complex CPI City Center was opened in Ústí nad Labem in April 2011 together with the four-star Clarion Congress Hotel. The complex includes offices, shops and services, and a four-star hotel with a convention center.

Office area:	5 700 sq. m
Retail area:	2 500 sq. m
Tenants:	TESCO Express, Partners, Attigente, GE Money Bank, and others
Hotel services:	accommodation, restaurant, bar, convention center
Number of parking spaces:	161
Green and recreational areas	

CPI City Center Olomouc

The multi-purpose project in Ústí was followed by the reconstruction of the Sigma Hotel in Olomouc in 2011 which will be complemented by the construction of an entirely new administrative set with retail facilities, extensive conference facilities and underground parking. The project is expected to be completed at the turn of spring and summer 2013.

Office area:	6 300 sq. m
Retail area:	1 100 sq. m
Tenants:	Raiffeisenbank
Hotel services:	accommodation, restaurant, bar, convention center
Number of parking spaces:	130

COPA Centrum Národní

Through its subsidiary Marissa Kappa, a.s., the CPI Group entered a prestigious project COPA Centrum Národní in Prague as a 50% investor in August 2011. It is a development project which plans for a complex of six buildings for commercial use near the metro station Národní třída in the Prague city center. The predominant office space will be complemented by a shopping gallery and a residential building together with extensive green and recreational areas. The launch of the project is planned for 2012.

Office area:	16 500 sq. m
Retail:	8 000 sq. m
Residential area:	5 000 sq. m
Parking spaces:	250

10.2.3. CPI HOSPITALITY

The CPI Group’s hotel portfolio was expanded by two hotels in 2011. One of them is the Clarion Congress Hotel Ostrava awaiting a partial reconstruction in 2012 and the Clarion Congress Hotel Ústí nad Labem which was built within an administrative-commercial complex in the center of the North Bohemian city.

Clarion Congress Hotel Ústí nad Labem

At the beginning of March, the four-star Clarion Congress Hotel was completed in Ústí nad Labem. It is part of a multipurpose complex CPI City Center. The currently only new hotel in the North Bohemian city offers modern accommodation and, above all, high quality organization of conferences and social events thanks to the spatially flexible conference hall.

Number of rooms:	83
Number of conference seats:	480 (lounge + hall)
Restaurants:	1
Bars:	2
Number of parking spaces:	161

The new construction is accompanied mainly by reconstruction of hotel facilities, the goal of which is to make the overall appearance of the accommodation facilities more modern, implement new technologies that will be reflected in the financial performance of the operations and the quality of provided services, and that will affect the layout and design of the interior in a whole new way. In many cases, the capacity of conference facilities is increasing as it represents one of the most important competitive advantages of the future operator.

Reconstruction of the Gomel Hotel - Clarion Congress Hotel České Budějovice

In February 2011, the reconstruction of the Gomel Hotel in České Budějovice began. The intention was to add a new look and technological equipment of higher quality to this popular hotel and to expand the conference capacity of the hotel thanks to a new layout. The building opened in April 2012 under a new name - Clarion Congress Hotel České Budějovice.

Number of rooms:	204
Number of conference seats:	640 + 450 in the ART IGY Hall
Restaurants:	1 restaurant, 1 beer house, 2 bars
Number of parking spaces:	130

Clarion Congress Hotel Olomouc

Dismantling and a subsequent reconstruction of the former Sigma Hotel in Olomouc near the train station and the Office of the Regional Authority began in September 2011. The CPI Group is implementing another multipurpose project here under the name CPI City Center, the dominant feature of which will be the reconstructed Clarion Congress Hotel Olomouc. In addition to the modernization of the entire hotel, a convention center for a total of 1,400 people will be added to the facilities. The four-star hotel will be open to the public in summer 2013.

Number of rooms:	126
Number of conference seats:	1 400
Restaurants:	1
Bars:	2
Number of parking spaces:	75

Reconstruction of the Clarion Congress Hotel Ostrava

The CPI Group purchased the Ostrava hotel in 2011 and decided to carry out a partial reconstruction. The reconstruction will affect one of the two hotel buildings with a total of 50 rooms, a restaurant and the wellness zone. Even in the case of the Clarion Hotel in Ostrava, the conference capacity will be extended to a total of 1 200 persons thanks to a newly built convention center. The reconstruction is expected to begin in spring 2012 and the completion is expected 12 months later.

Number of rooms:	169
Number of conference seats:	1 200
Restaurants:	2 + outside seating
Bars:	3

According to the current data of the statistical office, nearly a third of all hotels in the Czech Republic are located in Prague. Prague is also showing a similar dominance in conference capacities. That is one of the reasons why the CPI Group focuses on locations outside Prague, where it develops mainly four-star hotels with high-quality conference facilities as well as a higher overall accommodation capacity. The above intention is documented by the recently reconstructed hotels where the leading role of local or regional significance is expected.

Development Plans

The CPI Group is not giving up development in the coming years. Unlike the uncertain development in the field of acquisition, the Group can focus its efforts on improving the quality and standard of individual buildings and thus increase the value of its assets in the long term.
The current projects include the construction of an administrative and commercial COPA Center in Prague, the completion of the CPI City Center Olomouc and the reconstruction of the Sigma Hotel and the Clarion Congress Hotel Ostrava. Retail parks under construction, the completion of which is expected in 2012, will be followed by the construction of shopping complexes in Třinec, Pelhřimov and Kroměříž and the construction of more Penny Markets in the same year.

The Group also plans to return to residential construction, however, only in a limited extent. It wants to add to the successful first stage of family homes Jižní stráň in Prague 8 - Březiněves by building another 12 homes during 2012 due to increasing demand.

Further development activities will depend not only on the situation in the market and its demand but also on the possibilities of bank financing and its conditions. The CPI Group historically owns a number of lands and brownfields throughout the Czech Republic that are still waiting to be used. However, specific plans and projects will be always based on local demand and the ability of firms to finance their expansion into new premises.

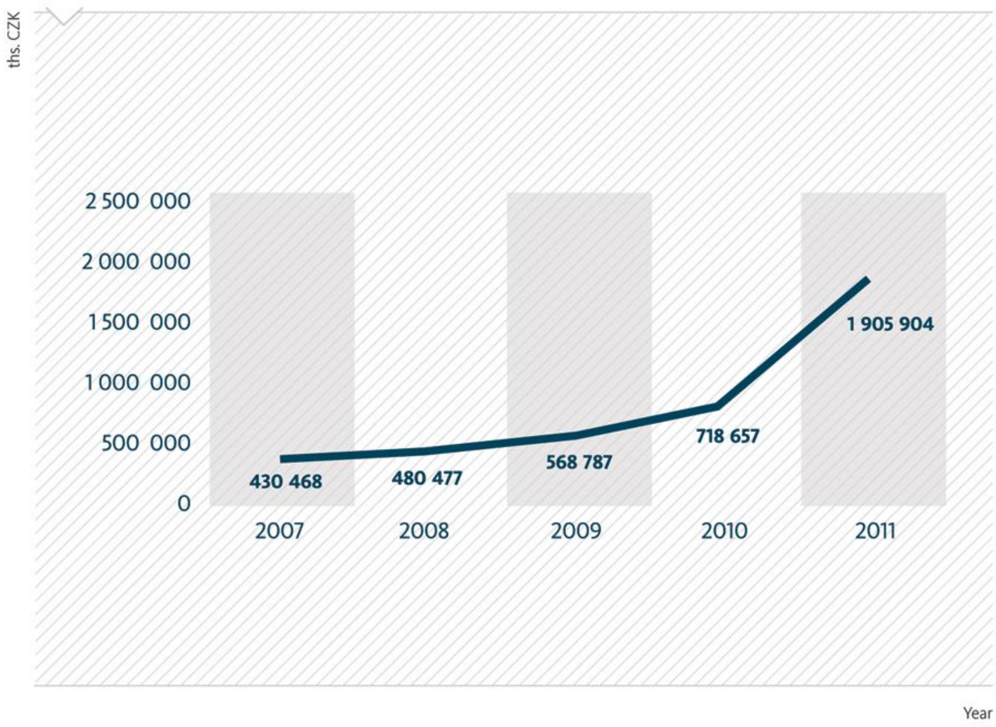
10.3. ASSET MANAGEMENT

Over the past two years, the CPI Group doubled the value of its assets to the current CZK 57.2 billion (as of 31 December 2011), specifically mainly in the field of commercial real estate (offices, retail and logistics). Acquisitions and new constructions played a role in the boom of all segments and expanded and strengthened activities managing the assets.

Lease of commercial space and its management is the responsibility of the Asset Management Department, the task of which is to maximize long-term market value of the assets. Along with the letting managers, this department has major impact on the economic results of the entire Group.
The increase in assets in the form of commercial real estate in 2011 significantly showed in the increase in revenues from leases which almost tripled compared to 2010 to the total of CZK 1.9 billion (in 2010, revenues from real estate rental amounted to CZK 718.6 million).

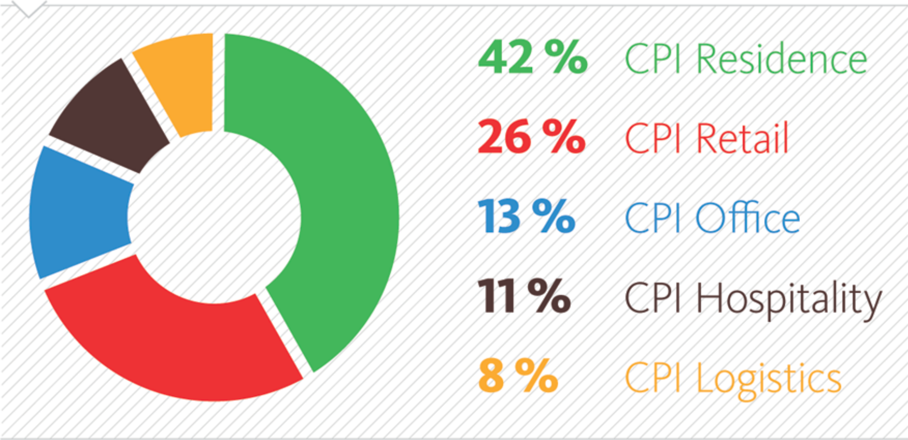
The growth in revenues represents a long-term trend for the CPI Group. It is affected not only by the increased number of commercial properties for lease but also the long-term increase in the rent paid on rental housing as a result of deregulation.
Due to the specific parameters of rental housing, a separate chapter focuses on this area.

Revenues from rental of Properties (in ths. CZK)



In terms of lettable retail space, rental housing is clearly the largest segment. Retail leads the sector of commercial real estate.

Segments by leasable area:



Segment	Total area in sq. m
Residences	756 500
Retail	470 993
Offices	230 471
Hotels	185 174
Logistics	148 800

10.3.1. CPI RETAIL

Retail represents the most diverse portfolio of the CPI Group and with 500 000 sq. m (as of 30 April 2012) it is the second largest segment by lettable area. Retail properties are spread across throughout the Czech and Slovak Republics.

Completed buildings as of 31 December 2011	470 993 sq. m
Under construction	22 800 sq. m

The retail portfolio management is divided into three basic groups:

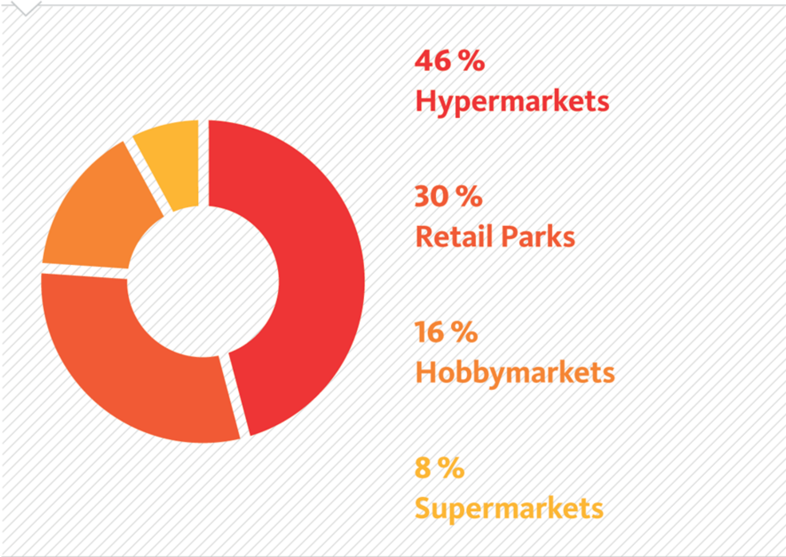
- Retail warehouse, which includes supermarkets, hypermarkets, hobby markets and retail parks;
- Shopping centers
- So-called special properties (BILLA stores, individual business units and establishments historically owned by CPI or former industrial complexes intended for revitalization)

Retail portfolio 31. 12. 2011

Retail Warehouse

The total lettable area of Retail Warehouse is approx. 260 000 sq. m and includes 4 categories of property: individual supermarkets, hypermarkets, hobby markets, retail parks in the Czech and Slovak Republics. Retail Warehouse is currently one of the most progressive fields of construction and acquisitions within the Group portfolio. The CPI Group is one of the leading owners and managers and it intends to significantly strengthen its role in the domestic and the Slovak markets.

Categories by lettable area



In addition to the structure of properties, the portfolio also differs in geographical distribution. Hobby markets and supermarkets are located only in the Czech Republic. On the contrary, hypermarkets and retail parks are located in the Czech and Slovak Republic. Calculated in terms of lettable area, 57% of hypermarkets and 63% of retail parks are located in the Czech Republic.

	Number of Properties	Area in sq. m
Hypermarkets	19	121 002
Retail Parks	22	78 892
Hobby markets	4	41 318
Supermarkets	23	19 657

Top 10 tenants by total area

KIK
Okay
Jysk
Takko
Deichmann
dm drogerie
Planeo
Dráčik
Sportisimo
Baťa

In the long term, the CPI Group has worked with a number of businesses involved in the development of the retail network in the Czech Republic and Slovakia. The long-term mutual cooperation is an advantage for the CPI Group mainly during the construction, which is done basically as a turnkey project according to the tenants' requirements and eliminates addition costs of rebuilding of shops. Another advantage is the well-proven balance of payments of the partners and access to information about further expansion of their business network. The tenants enjoy mainly a more favorable lease in terms of volume, a single administrator of all properties and a well-proven cooperation with the developer in the event of further expansion.

The Retail Warehouse category has a very low rate of unlettable areas. These are mainly separate units at the time of the project opening which fill up quickly after the property is put into operation. Retail Warehouse is also a stable sector in the long term, which is very little affected by economic fluctuations due to the concentration of rather discount stores.

Shopping Centers

The CPI Group owns a total of four large shopping centers in regional cities, the total lettable area of which amounts to 103 417 sq. m. The CPI Group bought three of the four properties in 2011 and therefore they have been only partially reflected in the economic performance. Descriptions of individual shopping centers can be found in the chapter Acquisition.

Shopping Center	Area in sq. m	Number of units
Olympia Teplice	31 598	75
Olympia Mladá Boleslav	21 884	52
City Park Jihlava	28 548	119
IGY České Budějovice	21 387	87

TOP 10 tenants by total area

Ahold
Interspar
Asko nábytek
Datart
C&A Moda
Cinestar
Billa
Marks&Spencer
H&M
Sportisimo

In total, there are nearly 400 tenants in the above shopping centers. The largest tenants traditionally include supermarkets, furniture stores, stores with electronics and fashion. A significant share also belongs to important sport chains.

Although the above commercial centers are characterized by a relatively stable number of visitors and revenue from rent, the goal of the CPI Group is to further develop the potential of these commercial spaces and to strengthen their competitiveness. As the customer demand is gradually changing, it is necessary to adjust the supply of shopping centers. The fundamental is an appropriate mix of tenants, according to which the CPI Group focuses on services of various types and on the development of the facilities.

Special Properties

An important part of the retail portfolio consists of so-called special properties that belong to the B class properties in terms of their form and technical facilities. The special properties category consists of a heterogeneous group of commercial and office units located in residential buildings that function individually within apartment complexes or in former industrial complexes, which are intended for revitalization in the long-term, or food stores which are not a direct part of any of the above categories.

The total lettable area of these properties is 95 182 sq. m.

With regard to the size of space for lease, these properties are characterized by a relatively high percentage of leased space and demand for it. In the long term, it forms a real estate group with stable income.

TOP 10 tenants by total area

Hruška, spol. s.r.o.
Billa, spol. s r.o.
NORMA, k.s.
Ahold Czech Republic, a.s.
ANITA - OPTIM s.r.o.
Tesco Stores ČR a.s.
Inter-Tonda, s.r.o.
AmRest s.r.o.
TIP a partner, s.r.o. - 1.NP
LOAN NGUYEN THI

In summary, the largest tenants of these properties are again food store networks such as Hruška, spol. s.r.o. , Billa, spol. s.r.o. and Ahold CZ , a.s.

Retail is one of the most stable sectors from the perspective of an investor and a developer. The crisis of 2008 and 2009 was only reflected in the sales of businesses in a limited extent. Their current expansion shows that there was no significant deterioration of the market. According to professional real estate agencies and consulting companies, 24 new complexes (a total of about 100,000 sq. m) are expected to be completed in 2012 in the Czech Republic in the form of retail parks. New urban shopping centers are emerging only in a limited extent.

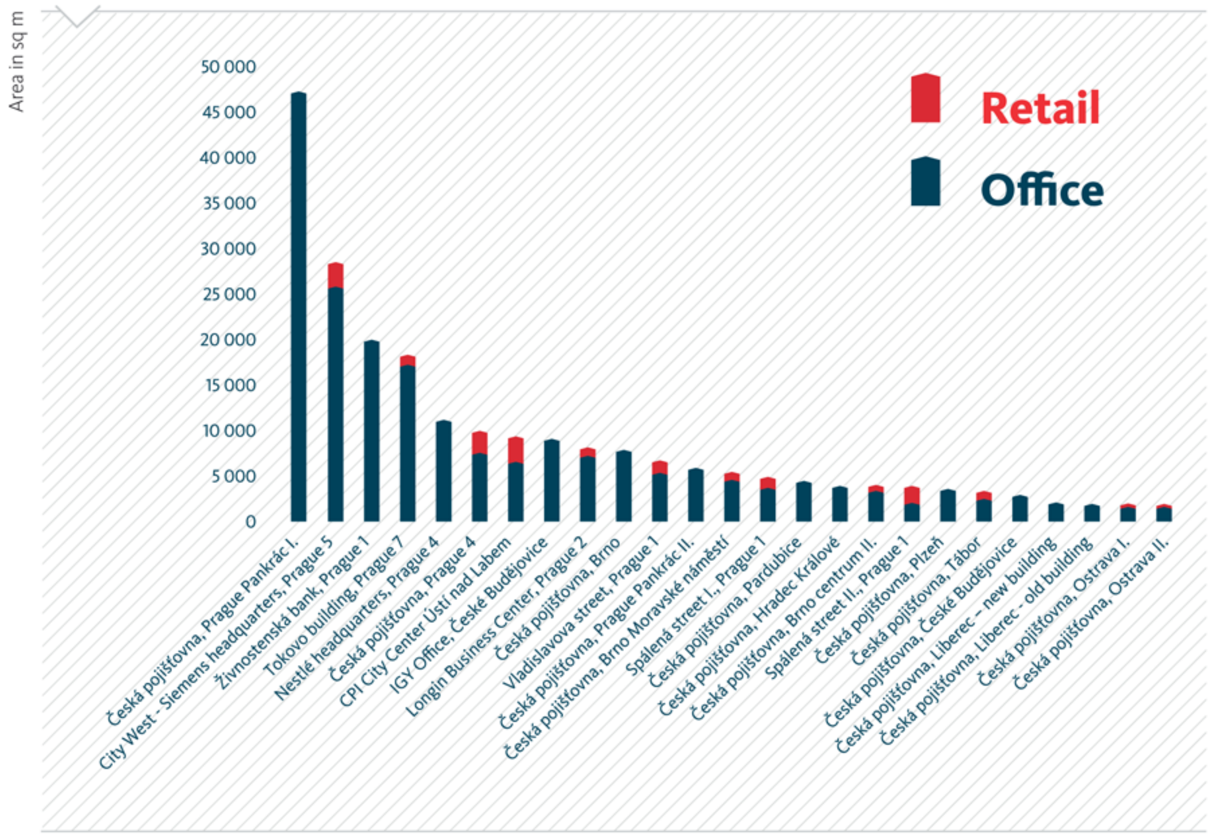
The CPI Group also sees the retail segment as one of the key segments and intends to pay attention to it in the coming years as well. The Group is expanding not only within regional cities but thanks to the cooperation with food producers it is also entering smaller towns and villages where it has only very little competition.
A retail park in Trutnov is under construction and complexes in Třinec, Pelhřimov and Kroměříž are in preparation. Continuous cooperation with Penny Market should bring more supermarkets to the market during 2012. Great attention is paid to the newly acquired shopping centers where the CPI Group aims to increase attendance and interest of the public through additional offer of services and marketing support.

10.3.2. CPI OFFICE

The office segment is one of the youngest within the CPI Group portfolio. Although the CPI Group has many years of experience with rental of offices, until 2010 the areas were minor compared to other types of properties.
The segment underwent a significant expansion in 2010 and 2011 when the company's own development project CPI City Center Ústí nad Labem was completed and a number of prestigious properties were purchased in Prague and regional cities of the Czech Republic. The current lettable area of the office portfolio exceeds 230 000 sq. m in eleven cities in the Czech Republic.

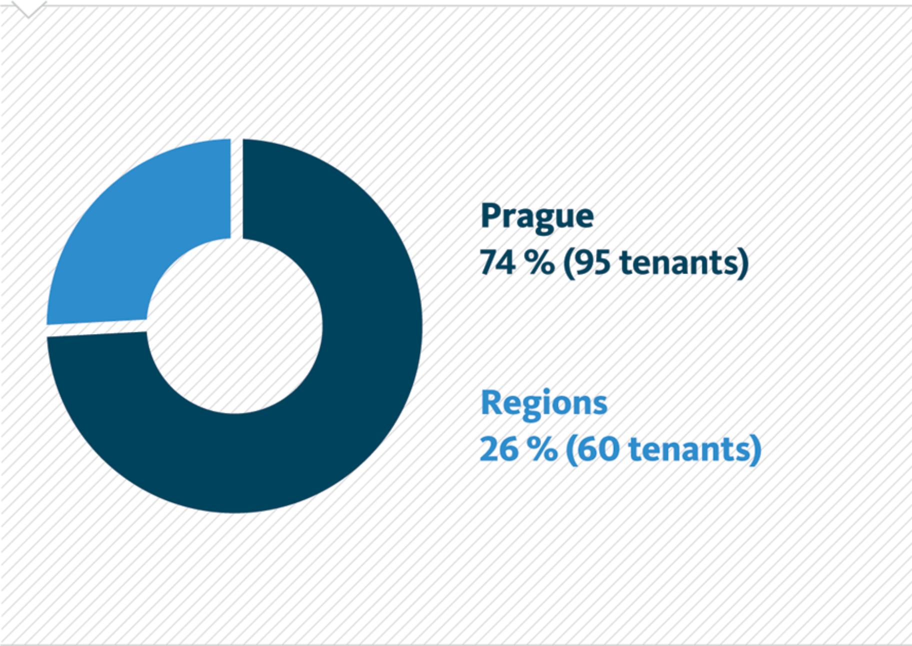
Completed buildings as of 31 December 2011	230 471 sq. m
Under construction	8 362 sq. m

Overview of Lettable Area in sq m, 230,000 sq m in total



Just like in retail, even in the case of offices, it is demanding to manage such a diverse portfolio. A total of 155 firms have their offices in 25 buildings. The lease terms and conditions are different in Prague and in the regions where the CPI Group is currently one of the largest providers of office space rentals.

Proportion of lettable area



The most important tenants by number of leased area are without doubt Česká pojišťovna, a.s., which currently occupies over 90 000 sq. m of office space, of which 64% is in Prague; Siemens, s.r.o. (25 000 sq. m) and Nestlé Česko, s.r.o. with more than 10 000 sq. m.

In the office segment, the CPI Group intends to focus mainly on support of long-term tenancies and professional service. For development task is the successful completion and renting out of the project in Olomouc, which is under construction and where the main tenant of office space is now Raiffeisenbank, s.r.o.; and the start of the construction of the COPA Center in Prague. Other possible projects will mainly depend on the market demand and the overall economic situation that affects the behavior and expansion of firms.

10.3.3. CPI LOGISTICS

Logistics, as the youngest segment of the CPI Group's activities, is currently very dependent on the economic situation at home and abroad. Two complexes purchased by the Group in 2011 are occupied primarily by subcontractors of world automobile factories on long-term contracts.

Industrial Park Brandýs nad Labem

Complex area:	3 ha
Area:	31 121 sq. m
Parking:	618 cars
Main tenant:	Automotive Continental Czech Republic
Construction completed:	2008

Automotive Park Lozorno

Complex area:	25 ha
Storage area:	117 682 sq. m
Main tenants:	Continental, Inteva Production, Johnson Controls, Brose, Faurecia, IAC Group, Schnellecke
Construction completed:	2005

Both industrial complexes (in the Czech and Slovak Republics) comprise a total of 148 800 sq. m of spaces for rent and they are nearly 100% full. A total of 11 tenants focusing primarily on production , which operate as subcontractors for world major automobile producers, are located in the above industrial zones.

TOP 10 tenants by leased area
Continental
Inteva
Duvenbeck
Johnson Controls
Brose
Faurecia
IAC
Schnellecke
VW
PPA POWER DS

The CPI Group has additional hundreds of thousands of square meters of land across the Czech Republic that is still waiting for their use in storage or industrial projects. Over 233 000 sq. m of spaces throughout the Czech Republic are in the planning stage.

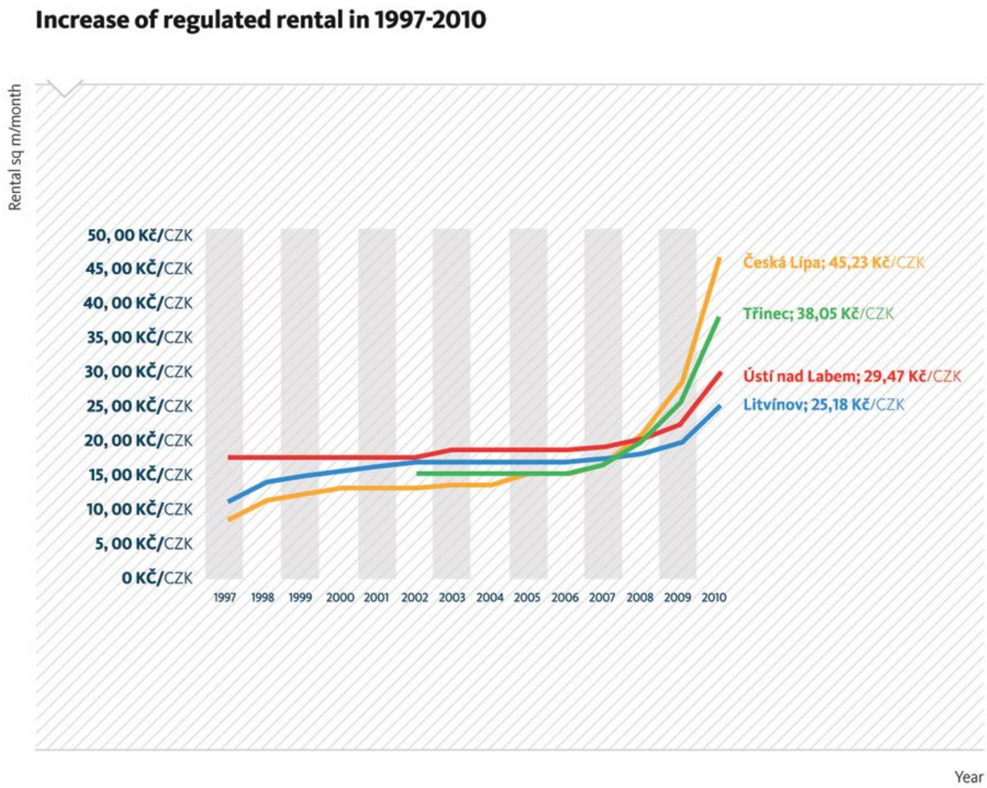
10.4. RENTAL HOUSING

Activities in the residential segment within the CPI Group are concentrated under the subsidiary CPI BYTY, a.s. (hereinafter also as „CPI BYTY“). The company focuses on the operation and management of rental housing and residential development.

The main source of activity is leasing and management of apartment portfolio in a total of fifteen locations (thirteen cities) in the Czech Republic. With a total of 12 771 apartments, CPI BYTY is the second largest provider of rental housing in the country. Part of the apartment portfolio of CPI BYTY is also represented by non-residential spaces rented and used as an additional source of income by the company.

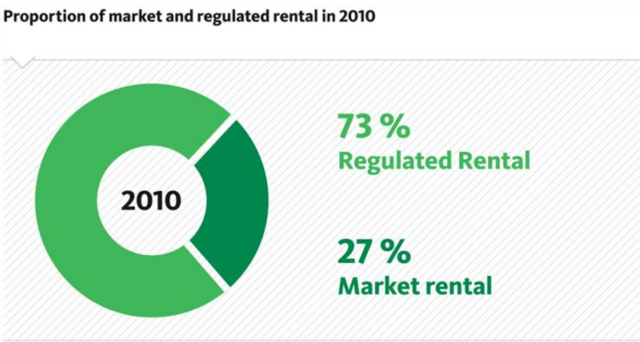
Town	Number of flats
Česká Lípa	1 693
Český Těšín	367
Děčín	196
Chlumec	32
Jablonec	66
Liberec	51
Litvínov	2 686
Most	72
Nové město pod Smrkem	196
Praha	828
Slaný	77
Teplice	22
Třinec	3 978
Ústí nad Labem	2 507
TOTAL number of flats	**12 771**

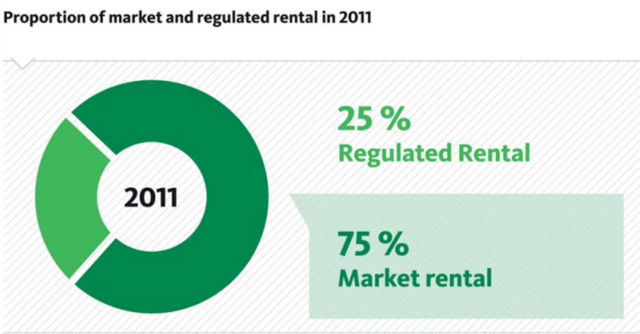
Economic results of CPI BYTY, hence the revenue from rent, was long influenced by the state-controlled rent which was partially relieved upon the adoption of the Act No. 107/2006 Coll., on Unilateral Rent Increase. State authorities recognized the requirements of property owners and established rules and coefficients, by which the previously regulated rent was supposed to be gradually increased over four years. The deregulation process ended on 31 December 2011 in all cities and towns with the exception of cities with more than 100 000 residents and in the Central Bohemian region where the regulation will end on 31 December 2012.



However, even by the end of 2010 the market and regulated rents did not come close to a reasonable level. Therefore, when establishing new contractual rents, CPI BYTY basically continued in the deregulation and spread the equalization of the market rent and the formerly regulated rents into another three years instead of a one-time increase due to the social impacts. The new rent varies in different cities as it is mainly influenced by the economic indicators of individual regions and cities. However, the stable and constantly growing income from leases is important.

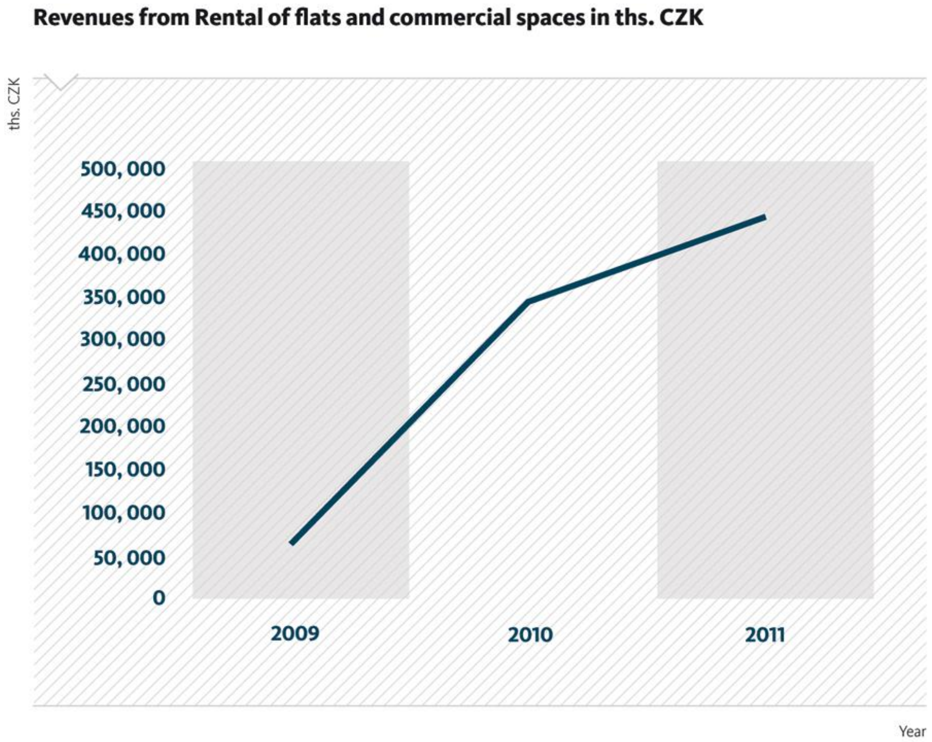
A comparison of the number of rental apartments in the regulated and the contractual regime before the expiration of the Act on 31 December 2010 and in 2011 is shown in the graphs below. State regulation in the remaining apartments (in the case of CPI BYTY specifically in Prague, Slaný and Liberec) will end on 31 December 2012. Due to the prevailing share of apartments in Prague, where the regulated rent is almost comparable to the market rent today, the company is not expecting a significant increase in rents, only their correction with regard to the location of the apartment buildings. The future growth of revenues will continue to be based on the current agreed growth of rent.





Thanks to the expiration of the above Act, it is possible to establish the new amount of rent only by agreement between the tenant and the landlord. Rents established this way significantly contribute to the growth of revenues from rent and they positively affect results of the subsidiary CPI BYTY as well as the entire CPI Group in the long term. The pre-defined amount of rent also allows for a better distribution of the investment plan for revitalization of the housing stock.

	2009	2010	2011
Revenues from rent of properties (TCZK)	65 714	323 540	414 875



Although revenues from rent have been growing for a long time and thanks to the deregulation they increased by nearly CZK 100 million in 2011 compared to 2010, in 2011 the profit of CPI BYTY was significantly affected by investments in the housing stock and a merger of companies from the previous year.

Repairs of the housing portfolio required over CZK 330 million in 2011. The major investment was - like in the previous year - the replacement of wooden windows for new plastic ones. Considerable funds were also spent on major repairs of roofs or on projects such as e.g. connecting houses to the sewer system in Třinec and Ústí nad Labem. In the field of safety and order, the system of surveillance of critical buildings carried out by a security agency was successfully implemented and also the revitalization of entrance portals and halls initiated in Třinec and in Český Těšín in November 2011, which will be followed by other cities in Northern Bohemia, contributed to crime prevention.

Plans in the Residential Area

In the coming years, the CPI Group, or actually CPI BYTY, will focus mainly on the revitalization of the housing stock and the development of provided services related to rental housing. Rental housing again gained the attention of the government and private institutions after long years of preferences for owner-occupied housing. Moreover, it is gradually becoming a full-value housing alternative in the eyes of the public. Deregulation, mass public interest in these issues and economic uncertainty renewed the demand and stirred the housing market as a whole. The amendment to the Civil Code adopted with effect from 26 May 2011, or from 1 November 2011 respectively, further strengthened the position of owners who also acquired long suppressed rights to their property.

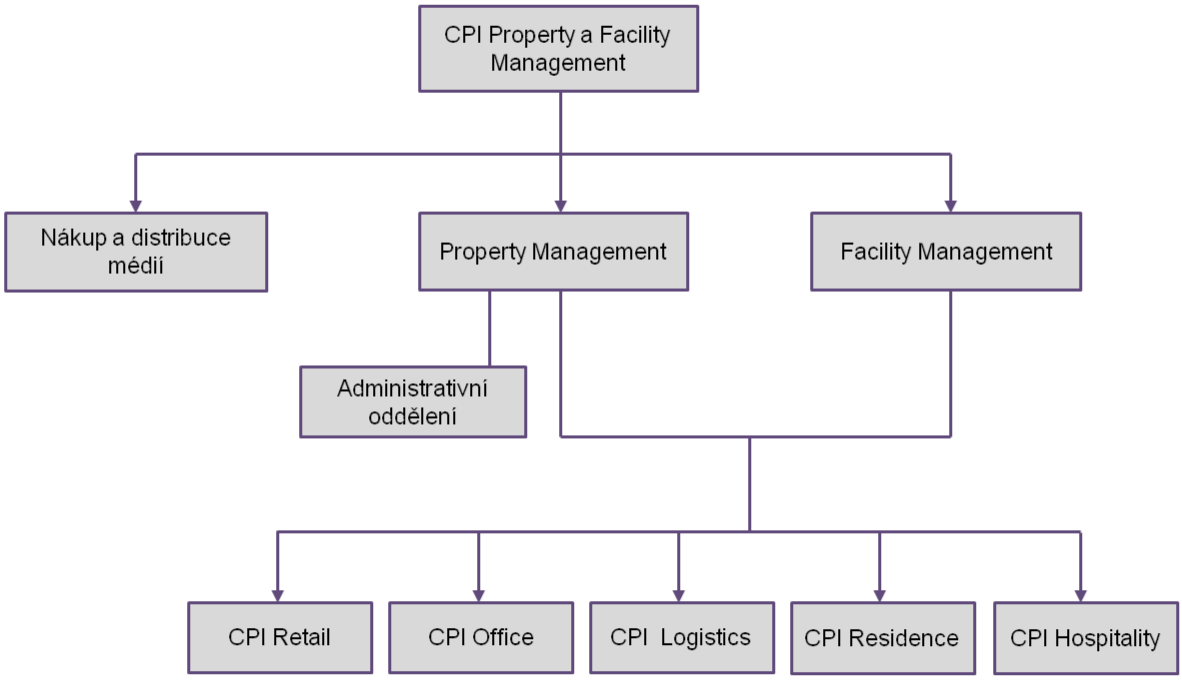
However, the deregulation increased competition in most of the Czech Republic by the high number of „marketable apartments“ for rent. Therefore, CPI BYTY will focus not only on the modernization of its own apartment portfolio but also on the improvement of services and especially on the reduction of energy consumption in residential buildings. Through its attempts to save costs of energy and services, CPI BYTY wants to attract attention of people interested in rent and offer appropriate services to them.

The development activities of the CPI Group in the residential area are still subdued. After several years of stagnation of the demand mainly in the field of apartment housing in Prague, the housing market is reviving again. However, the existence of thousands of unsold apartments and the prediction of further mass constructions confirm the resistance of the CPI Group.
The only exception is a project of family homes called Jižní Stráň, the implementation of which is being considered by the Group based on demand. The planned houses would build on the first successful stage completed in 2008 in Prague - Březiněves. Preliminary and project works are currently underway.

10.5. PROPERTY AND FACILITY MANAGEMENT

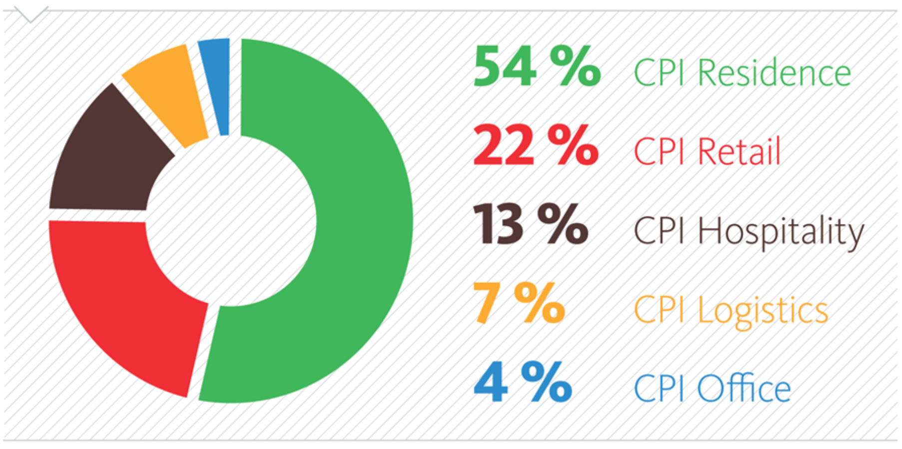
The CPI Group is currently one of the largest investors in real estate, the asset value of which reaches CZK 56.9 billion. Properties owned by the CPI Group are primarily intended for lease to natural or legal persons. An increase in the volume of properties also brought a geometric increase in the number of tenants and lease agreements, which must be taken care of in terms of administration, but there was also an increase in the need for their more sophisticated technical management, flexible resolving of operational matters and quality maintenance services, which significantly affect the tenants‘ satisfaction and their perception of the tenancy.

The technical, operational and administrative aspects of most properties in the portfolio of the CPI Group are taken care of by two subsidiaries. Although part of this work has been long performed by CPI – Facility, a.s., an increasing number of properties and thus a significantly increased number of tenants triggered the need to further expand and specialize these services and strengthen them in terms of personnel. Therefore, CPI Property, s.r.o. was established in 2011 that includes processing of administrative and operational requirements of tenants as well as technical property management, sale and distribution of energy still under the name CPI – Facility, a.s.



The newly created structure of Property Management manages over 1 300 000 sq. m of areas from all segments of the real estate industry and it supports the operation of the entire CPI Group. Part of the administration - mainly of newly purchased properties - is carried out by administration companies coordinated by CPI Property, however, the goal is to gradually take over this activity and provide the tenants with a complete service package from a single provider - the property owner.

Proportion of segments managed by CPI Group by area



Activities of CPI Property, s.r.o. include particularly:

- Administration of properties
- Operational management of properties
- Preparation of operating budgets
- Preparation of investment budgets
- Insurance of buildings and resolution of insurance claims

Activities of CPI – Facility, a.s. complement Property Management in the following activities:

- Technical management of properties
- Purchase, sale and distribution of media
- Electrical inspection and fire equipment services
- Selection procedures

As mentioned earlier, the Property Management Department provides technical and operational management only for part of properties owned by the CPI Group. Given the diversity of the Group's portfolio, the technical management activities are concentrated in several selected areas:

CPI RESIDENCE

In the case of the residential portfolio, specifically the rental housing stock, CPI Property is the sole property manager of more than 12 700 apartments and a number of non-residential areas. The difficulty of this management task results not only from the purpose of the apartment portfolio but also from its structural and construction diversity and geographical range. Extensive investment in the renovation of the apartment portfolio was initiated in 2011.

CPI RETAIL

In retail, the greatest attention of CPI Property is paid to retail parks and individual buildings and units. Shopping centers are managed by external management companies.

CPI LOGISTICS

In the field of industrial complexes, Property Management manages the industrial complex Bor u Tachova and the industrial complex of the former Zbrojovka in Brno, which are leased to individual businesses. Construction is planned for both areas in the future.

CPI OFFICE

In the office segment, Property Management is in charge of managing four office buildings: CPI City Center in Ústí nad Labem, SONAX in Brno, Živnostenská banka and buildings hosting the headquarters of Nestlé Česko.

CPI HOSPITALITY

A major change occurred in the management of hotel buildings and properties intended for long-term accommodation starting from 1 March 2012. CPI Property took over the management of all these buildings which are further leased to the hotel operator.

Plans of Property Management

The CPI Group set an ambitious goal for portfolio management. In the medium term, it wants to gradually take over the management of most properties and ensure their operation, technical facilities and sales and marketing services from its own resources and thus eliminate financial costs in the form of outsourced services. It is in the interest of the CPI Group to secure a permanent value of all properties, or to increase their value and thereby make the offer of premises and services more attractive for potential tenants who are the main generators of income for the CPI Group.

However, such a goal places heavy demands on staffing and the quality of provided services. Therefore, the Group invests in new processes and software that facilitate information sharing within the Group across individual department and information exchange with external entities.

10.6. Expected Development of Activities

In the medium term, the activities of CPI and the entire Group are heavily dependent on the economic development in Central Europe and the world. Many companies - tenants in commercial spaces - depend on the decisions and actions of their parent companies and leading groups abroad, which are, as well as their branches in the domestic market, affected by the global economic recession and the conservative approach of banks to financing of business activities.

In the case of financing of other acquisitions or development projects, the CPI Group has chosen an alternative source of external financing in the form of bonds, from which it expects not only funds to support new acquisitions but also the necessary diversification of sources of external financing and thanks to the maturity of the bonds also a form of obligation that corresponds to the life cycle of real estate leases.

In terms of investment in finished properties, the strategy of the CPI Group remains unchanged. Retail, offices and other commercial properties with a fixed income and good financing stay at the forefront of the Group’s interest. The CPI Group is following opportunities in the Prague market as well as in Czech regions and abroad. However, the Czech and Slovak Republics remain the primary markets.

New constructions - in addition to projects already under construction - will strictly comply with the strategy of firms demanding new spaces for lease. From the perspective of the CPI Group, speculative construction does not have a place in the market at this time. The constantly increasing demands on technical quality, including newly adopted standards, and supporting services in the case of office space significantly affect the construction costs. Nevertheless, the quality of new spaces remains the most important competitive element, which decides about the success of the project together with well-determined rental rates.
Unlike in the case of offices, the demand for retail properties is not decreasing, especially in smaller cities and towns that still lack a corresponding supply. In cooperation with retail chains, the CPI Group looks for new opportunities outside major regional cities and fills niches in the market with its own projects.

As mentioned several times above, management of tenancies and technical support also have a large share in the success of commercial buildings. The CPI Group wants to pay most attention to these areas in the coming years. The implementation of a number of process and software systems is supposed to make property management more effective and ensure easier communication within the Group and externally and to promote access of all departments participating in a given area of interest.

10.7. Other

10.7.1. Social Responsibility

The CPI Group is aware that sustainable development is not only a question of its own business activities but also of support for areas, in which its activities and objectives intersect with the needs of others. Therefore, it gives interest and attention not only to the non-profit sector but also to communities that express their opinions or seek active involvement.

The CPI Group is confident that its activities bring success and prosperity to the environment, in which it operates, as well. It supports the development of cities and towns, whether through revitalization of urban areas, improvement of infrastructure and services or through increasing the number of jobs generated by newly built or further developed projects. Restoration of older buildings and improvement of facilities for existing businesses facilitate the duration of stay of the businesses - employers, their possible expansion in the area and they support interest of new firms from home and abroad, which bring not only their know-how but also more job opportunities for different groups of residents to Czech cities. Together with representatives of cities and city parts, the CPI Group is working to enhance security and crime prevention in selected areas.

Thanks to the diversity of its activities, the CPI Group meets the needs of many socially disadvantages, disabled and sick persons. To use own abilities and resources for the benefit of others is one of the main topics of charitable activities of the CPI Group. The Group has been long providing financial and non-financial assistance to many non-profit entities throughout the Czech Republic. It directs its support mainly to the social and health area focused on child care.

The CPI Group shows its support for the non-profit sector at two levels. The first level is direct financial assistance to specific entities such as hospitals, specialized health facilities and social institutions, civic associations and foundations, whether it is the purchase of specialized equipment, treatment or operation of such facilities.
The second level is non-financial support within a broad portfolio of properties and activities carried out by the CPI Group. It is often assistance in the form of technical support for various presentation and specialized events, free provision of space for work or promotion of activities of non-profit organizations or marketing support for their efforts and activities.

The CPI Group cooperates with a number of entities, the primary focus of which it assistance to sick, handicapped or socially disadvantaged children and adults such as the Foundation Fund Kapka Naděje, Hospital Na Františku, POD FLAGOM DOBRA Foundation, J&T Foundation or the Civic Association Veselý vozíček. The Group has also participated in promoting of international projects of UNICEF and in the activities of the Civic Association SIMP, which focuses on the integration of mentally disabled and other socially excluded people.

Consulting and assistance activities of the subsidiary CPI BYTY, a.s. proved to be very important as it focused mainly on seniors and handicapped people living in rented apartments in the context of the impact of rent deregulation and the economic recession. Through specialized employees, it provides information, advice and if necessary also physical assistance to tenants when dealing with the authorities in the matters of state social aid. In the event of financial difficulties of tenants, it tries to give advice on the right setting of household expenditures.

10.7.2. Research, Development

With regard to the content of the business activities of the CPI Group, it is not engaged in research and development of new products or procedures.

10.7.3. Environment and Human Resources

Neither CPI not the CPI Group endanger the environment with their activities. Within the human resource management it tries to improve work organization and the qualification of its employees through various trainings (e.g. intensive language course or specialized courses).
As of 31 December 2011, the CPI Group had 239 employees. Apartments and non-residential areas are managed by employees of CPI - Facility, a.s. and CPI BYTY, a.s. Other workers are employees of CPI Services, a.s.
The following table offers an overview of an overview of employees within the CPI Group as at 31 December 2011. The data do not include employees on maternity leave and employees under agreements to perform work and contracts for work.

Company	Number of Employees
Czech Property Investments, a.s.	3
CPI BYTY, a.s.	84
CPI Services, a.s.	98
CPI - Facility, a.s.	54
Total	**239**

In labor relations, CPI and other CPI Group companies proceed in accordance with applicable laws.

10.7.4. Branches Abroad

CPI does not have any branches abroad.

10.7.5. Fees Charged by Auditors

In 2011, auditors charged the following fees (in CZK excl. VAT):

Entity	Audit of Financial Statements and Annual Report	Audit of Extraordinary Financial Statements	Verification of Opening Balance Sheet	Verification of Existence of Liability	Consulting
Czech Property Investments, a.s.	1 415 400	0	0	173 000	462,000
Consolidation unit CPI Group	4 710 000	43 200	215 100	0	0
Total	**6 125 400**	**43 200**	**215100**	**173 000**	**462 000**

10.7.6. Other

No public bid for the takeover of CPI shares was made in 2011. CPI did not make any public bids for takeover of shares of other companies and its business was not interrupted. CPI was not involved in any judicial, administrative or arbitration proceedings which could have had a significant impact on its financial situation.

CPI is not a party to any contracts that will take effect, be changed or terminated in the event of a change in the control of the Company due to a takeover bid.

The Company did not enter into any contracts with members of the Board of Directors or employees, based on which it would be bound to provide consideration in the event of the termination of their office or employment in connection of a takeover bid.

CPI did not create any programs, on the basis of which employees and members of the Board of Directors are allowed to acquire participating securities of the Company, options to such securities or other rights to them under favorable conditions.

11. REPORT OF THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES AND ASSETS

CPI and its Group set an ambitious objective for the year 2011 - to increase investment in real estate by CZK 20 billion. This plan was successfully achieved thanks to acquisitions of mainly finished projects and purchases made in 2011 increased the value of assets to CZK 56.5 billion. In 2011, the CPI Group purchased the following properties:

- Penny Market Příbor;
- Package of Family Centers in the Czech and Slovak Republics and four Penny Markets;
- OLYMPIA Mladá Boleslav, OLYMPIA Teplice;
- City Park Jihlava;
- Office buildings: Brno Purkyňova 101, Prague 4 Hráského 2231, Pardubice tř. Míru 2647, Prague 7 Jankovcova 2/1518, Prague 1 Spálená 14/76, Spálená 16/75, Vladislavova 17/1390, Brno Moravské nám. 8, Brno Rašínova 7, České Budějovice Pražská ul., Hradec Králové, nám. 28.října 20, Liberec Felberova 8 - new bldg., Liberec Felberova 8 - old bldg., Ostrava 28.října 60, Ostrava 28.října 32, Plzeň, Slovanská alej 24 A, Tábor Světlogorská 4/2765, Prague 4 - Bldg. Pankrac I, ČP Headquarters - Pankrác II, Prague 4, Na Pankráci 1720/123;
- Auto-Industrial Park Lozorno;
- Industrial Complex Brandýs nad Labem
- Clarion Congress Hotel Ostrava
- Building of the former Živnostenská banka
- A Center Svitavy, A Center Beroun
- 50% share in the COPA Center Národní project (more details in the chapter Acquisitions)

Most of these acquisitions were performed in the form of an „share deal“, i.e. by purchasing companies that own the properties which was the main cause of the internal expansion of the CPI Group. Simultaneously, new companies were established which are primarily intended for the acquisitions of new companies into the CPI Group.

In addition to the acquisitions of new properties, the CPI Group implemented and in 2011 completed the following development projects:

- CPI City Center Ústí nad Labem;
- CPI Retail Park Český Krumlov;
- CPI Retail Park Beroun;
- Family Center Senica.

(details on completed and initiated development projects are mentioned in the chapter Development)

By these steps, the CPI Group strengthened its position in the domestic and Slovak real estate markets in all areas of its business activities.

In 2012, we are expecting financial restructuring of interest-bearing financing of the CPI Group and execution of further acquisitions with regard to the current situation and potential supply in the real estate market.

11.1. Financial Results

11.1.1. Results of CPI

Revenues

Compared to 2010, revenues of CPI increased by TCZK 99 841 while revenues from advisory and accounting services had the greatest influence on the growth of revenues.

Total Assets

In 2011, total assets increased compared to 2010 by TCZK 9 924 957 thousand CZK while the greatest increase within assets was experienced in investment in subsidiaries, jointly controlled entities and associates by TCZK 8 819 777 thousand CZK. This increase was caused, by new acquisitions.

Ownership Interests

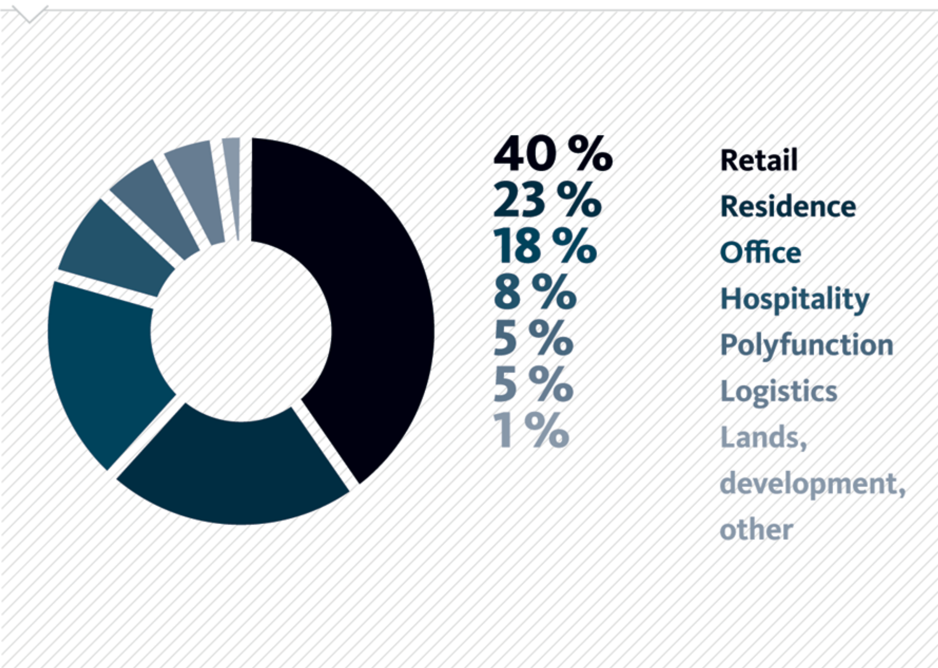
The value of ownership interests has the largest share in the assets of CPI, as of 31 December 2011 the value of ownership interests amounted to TCZK 13 847 414. The increase compared to 2010 (by TCZK 8 819 777 in absolute terms) was caused by new acquisitions and an increase in the share capital in the subsidiary CPI Finance Ireland Ltd.

11.1.2. Results of the CPI Group

Revenues

Revenues from lease of properties of the CPI Group for 2011 amounted to TCZK 1 905 904. Compared to 2010, these revenues increased by 165%. This increase was influenced, among other things, by an increase in the revenues from leases of the apartment portfolio and new acquisitions.

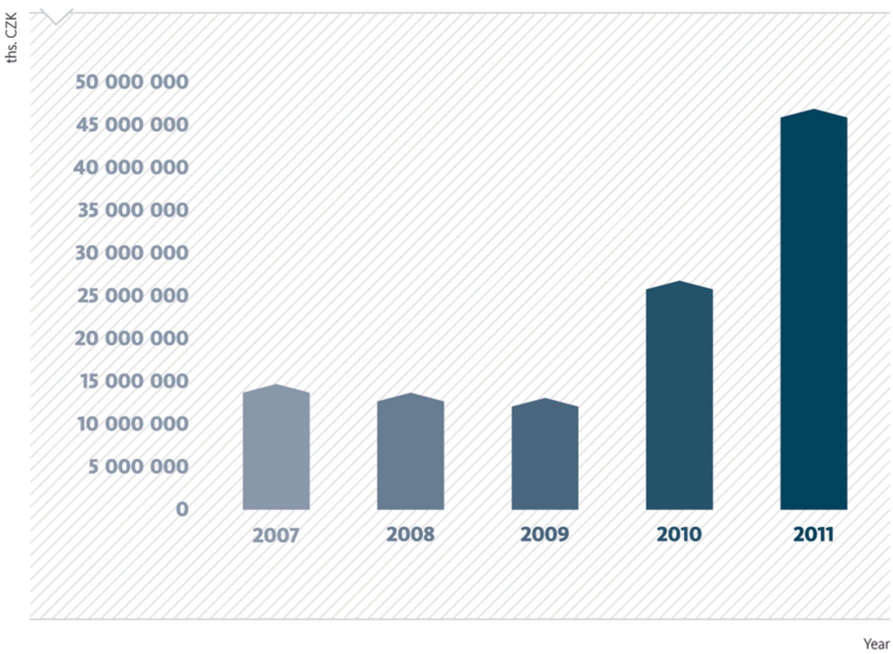
Revenues from rental properties of CPI Group in 2011 (total amount 1,9 mld. CZK)



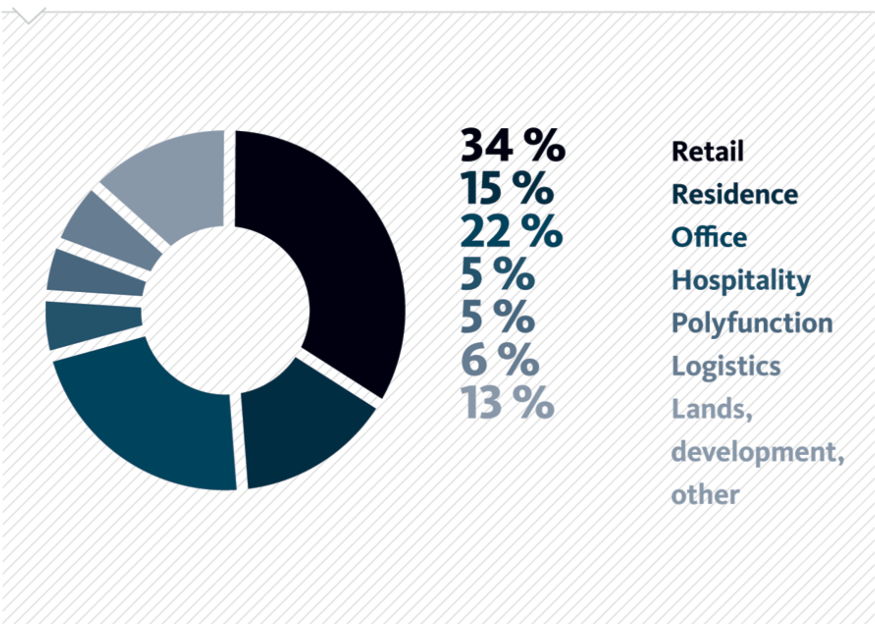
EBIT

EBIT for the CPI Group reached TCZK 2 359 707 in 2011. The increase in its value compared to 2010 (by TCZK 946 259 in absolute terms) was caused, among other things, by the result from operating activities that was positively influenced by increase of rental and service income.

Investment Property of CPI Group (ths. CZK)



Investment Property in 2011 (total amount 46,5 mld. CZK)



Total Assets

The total assets of the CPI Group in 2011 reached the value of TCZK 56 983 129 while mainly the value of investment in real estate arising from new acquisitions increased within the assets.
The largest share in the assets of the CPI Group still belongs to real estate investments with a value of TCZK 46 526 881 (i.e. 82 % of total assets). The increase compared to 2010 was caused, among other things, primarily due to new acquisitions.

In Prague, 27 April 2012

Radovan Vítek	**Marek Stubley**
Chairman of Board of Directors	Vice Chairman of Board of Directors
Czech Property Investments, a.s.	Czech Property Investments, a.s.

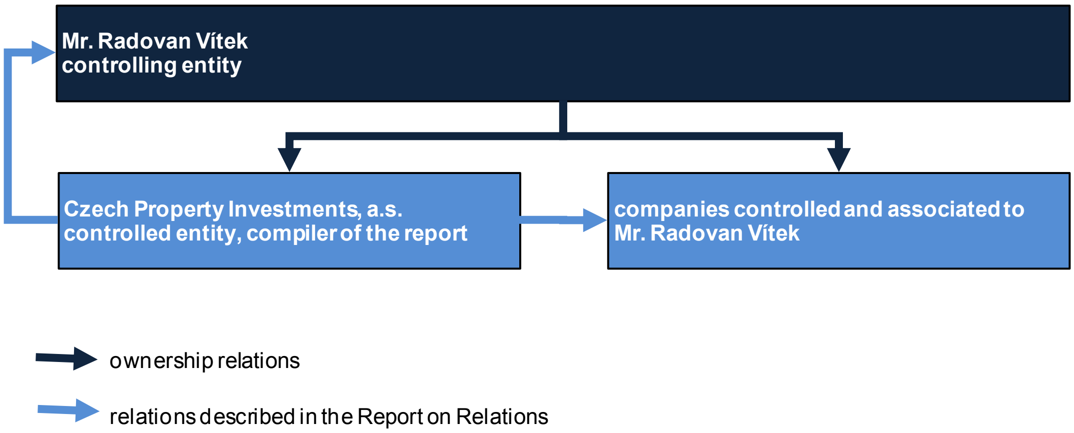
12. REPORT OF THE BOARD OF DIRECTORS ON RELATIONSHIPS BETWEEN RELATED PARTIES FOR THE YEAR 2011

Report on relationships between Mr Radovan Vítek and Czech Property Investments, a.s., and between Czech Property Investments, a.s. and other entities controlled by Mr Radovan Vítek for the fiscal period from 1 January 2011 to 31 December 2011.

In accordance with §66a (9) of the Act No. 513/1991 Coll., Commercial Code, as amended, a report on relationships between Mr Radovan Vítek, Brno, Minská 41, 616 00 (hereinafter also referred to as the “Controlling Person“) and Czech Property Investments, a.s., IČ (Company Identification Number) 42716161, with its registered office at Prague 1, Václavské náměstí 1601/47, 110 00 (hereinafter also referred to as the “Controlled Entity“ or “CPI) and between CPI and other entities controlled by Mr Radovan Vítek was processed for the fiscal period from 1 January 2011 to 31 December 2011 (hereinafter referred to as the „Fiscal Period“).

As of 31 December 2011, Mr Radovan Vítek was the sole shareholder of CPI. As of 31 December 2011, Radovan Vítek was therefore the controlling person of CPI. The CPI Board of Directors, acting with due diligence, is not aware of any other entities controlled by Mr Radovan Vítek than those stated in this report.

Relations scheme



Structure Diagram

Radovan Vítek		Share in % direct	Share in % indirect	Share in % total
100.00%	Cerrini, s.r.o.	100.00	-	100.00
100.00%	Materali, a.s.	100.00	-	100.00
100.00%	Mondello, a.s.	100.00	-	100.00
100.00%	Papetti, s.r.o.	100.00	-	100.00
100.00%	Pietroni, s.r.o.	100.00	-	100.00
100.00%	Rivaroli, a.s.	100.00	-	100.00
100.00%	Robberg, a.s.	100.00	-	100.00
100.00%	Vila Šárka, a.s.	100.00	-	100.00
100.00%	Zacari, a.s.	100.00	-	100.00
100.00%	**Czech Property Investments, a.s.**	**100.00**	**-**	**100.00**

Concluded Contracts

In the fiscal period, the following contracts were entered into between CPI and Mr Radovan Vítek and between CPI and entities controlled by Mr Radovan Vítek:

Party	Type of Contract
Vila Šárka, a.s.	Contract for the Management of the Company
Radovan Vítek	Contract for Extra Payment

Other Legal Acts

In the Financial Period, no other legal acts were executed between CPI and Mr Radovan Vítek, and between CPI and entities controlled by Mr Radovan Vítek.

Other measures, their advantages and disadvantages, supplies provided, considerations received, and loss suffered

During the Financial Period, no measures were adopted or implemented in the interest or at the instigation of Mr Radovan Vítek or entities controlled by Mr Radovan Vítek.

During the Financial Period, no supplies were provided and no considerations were received in the interest or at the instigation of Mr Radovan Vítek or entities controlled by Mr Radovan Vítek.

The value of transactions between related parties is set out in the notes to the financial statements of CPI for 2011.

The Board of Directors of the controlled entity confirms that CPI suffered no damage or loss as a result of the conclusion of the above-mentioned agreements, the implementation of the above-mentioned other legal acts and other measures, and supplies provided or considerations received.

Prague, 31 March 2012

Radovan Vítek
Chairman of Board of Directors
Czech Property Investments, a.s.

Marek Stubley
Vice Chairman of Board of Directors
Czech Property Investments, a.s.

13. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

CZECH PROPERTY INVESTMENTS, A.S.

in thousand Czech crowns (TCZK)

Consolidated statement of financial position

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets and goodwill	6.4	9 835	12 660
Investment property	6.1	44 620 805	25 360 735
Investment property under development	6.2	1 906 076	952 097
Property, plant and equipment	6.3	66 082	195 395
Equity-accounted investees	6.5	--	19 876
Other investments	6.6	11 766	11 746
Loans provided	6.7	748 325	3 920 352
Trade and other receivables	6.9	621 377	118 434
Deferred tax asset	5.14	304 087	211 324
Total non-current assets		**48 288 353**	**30 802 619**
Current assets			
Trading property - inventories	6.8.	6 637	38 853
Trade and other receivables	6.9	6 309 273	6 868 327
Other investments	6.6	--	301 625
Loans provided	6.7	1 253 042	559 782
Cash and cash equivalents	6.10	1 413 820	1 270 018
Total current assets		**8 982 772**	**9 038 605**
TOTAL ASSETS		**57 271 125**	**39 841 224**
EQUITY			
Share capital		4 428 140	3 093 498
Share premium		199 222	76 422
Translation reserve		14 036	220
Other reserves		948 902	130 217
Retained earnings		10 407 939	9 269 065
Total equity attributable to owners of the Company	6.11	**15 998 239**	**12 569 422**
Non-controlling interest	6.11	433	31 941
Total equity		**15 998 672**	**12 601 363**

in thousand Czech crowns (TCZK)

Consolidated statement of financial position (continued)

	Note	31 December 2011	31 December 2010
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	6.12	19 508 049	11 949 602
Bonds issued	6.13	4 330 000	1 230 000
Liabilities from derivatives	6.14	212 052	103 580
Trade and other payables	6.16	1 107 278	1 002 658
Deferred tax liabilities	5.14	4 253 898	2 614 143
Total non-current liabilities		**29 411 277**	**16 899 983**
Current liabilities			
Bank overdraft	6.15	2 251 570	1 177 939
Interest-bearing loans and borrowings	6.12	6 467 494	2 996 972
Bonds issued	6.13	715 092	48 252
Liabilities from derivatives	6.14	53 975	--
Current income tax liabilities	5.14	109 195	75 758
Trade and other payables	6.16	2 221 414	6 019 852
Provisions	6.17	42 436	21 105
Total current liabilities		**11 861 176**	**10 339 878**
TOTAL EQUITY AND LIABILITIES		**57 271 125**	**39 841 224**

Notes to consolidated financial statements on pages 90 to 186 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Consolidated statement of comprehensive income

	Note	2011	2010
Gross rental income	5.1	1 905 904	718 657
Service income	5.1	47 664	57 462
Net service charge income	5.2	4 735	8 754
Property operating expenses	5.3	-525 524	-238 237
Net rental and service related income		**1 432 779**	**546 636**
Net valuation gain on investment property	5.4	1 300 821	28 809
Gain / (Loss) on the disposal of investment property	5.5	8 309	-11 945
Gain on the disposal of trading property	5.6	66 766	14 333
Gain / (Loss) on the disposal of plant and equipment		94	-10 069
Gain on the disposal of subsidiaries	5.7	--	96 970
Gain on the disposal of equity-accounted investees	5.8	--	434
Administrative expenses	5.9	-335 818	-176 192
Other income	5.10	23 192	1 436 548
Other expense	5.11	-157 829	-516 046
Results from operating activities		**2 338 314**	**1 409 478**
Finance income	5.12	412 915	213 072
Finance expenses	5.13	-1 207 460	-470 629
Net finance expenses		**-794 545**	**-257 557**
Share of profit of equity-accounted investees (net of tax)	6.5	--	18 466
Profit before income tax		**1 543 769**	**1 170 387**
Income tax expense	5.14	-400 560	-53 504
Profit from continuing operations		**1 143 209**	**1 116 883**
Discontinued operation			
Profit from discontinued operation (net of tax)		--	2
Profit for the period		**1 143 209**	**1 116 885**
Other comprehensive income / (expense)			
Foreign currency translation differences - foreign operations	6.11	13 816	102
Effective portion of changes in fair value of cash flow hedges	6.11	-230 689	--
Income tax on other comprehensive income / (expense)	6.11	43 831	--
Other comprehensive income / (expense) for the period, net of tax		**-173 042**	**102**
Total comprehensive income for the period		**970 167**	**1 116 987**

in thousand Czech crowns (TCZK)

Consolidated statement of comprehensive income (continued)

	Note	2011	2010
Profit / (Loss) attributable to:			
Owners of the Company		1 143 275	1 116 084
Non-controlling interest		-66	801
Profit for the period		1 143 209	1 116 885
Total comprehensive income / (expense) attributable to:			
Owners of the Company		970 233	1 116 186
Non-controlling interest		-66	801
Total comprehensive income for the period		970 167	1 116 987
Earnings per share	6.11		
Basic earnings per share (CZK)		287,50	523,42
Diluted earnings per share (CZK)		287,50	523,42
Earnings per share - continuing operations	6.11		
Basic earnings per share (CZK)		287,50	523,42
Diluted earnings per share (CZK)		287,50	523,42

Notes to consolidated financial statements on pages 90 to 186 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Consolidated statement of cash flow

	Notes	For the year ended 31 December 2011	31 December 2010
Operating activities:			
Profit before income tax		**1 543 769**	– **1 170 387**
Adjusted by:			--
Net valuation gain on investment property	5.4	-1 300 821	-28 809
(Gain) / Loss on the disposal of investment property	5.5	-8 309	11 945
Depreciation / amortisation of tangible and intangible assets	6.3 & 6.4	10 585	14 621
Impairment of assets net of any impairment reversal	5.11	52 400	21 213
(Gain) / Loss on the disposal of property, plant and equipment		-94	10 069
Gain on the disposal of subsidiaries	5.7	--	-96 970
Net finance expense	5.12 & 5.13	768 104	257 557
Share of profit of equity accounted investees	6.5	--	-18 466
Profit / (Loss) from discontinued operations		--	-2
Goodwill write-off/ (gain on bargain purchase)	3.4	49 649	-979 596
Exchange rate differences		-259 893	-58 605
Other non-cash adjustments		-9 970	--
Profit before changes in working capital and provisions		**845 420**	**303 344**
Changes in trade and other receivables		-1 087 671	-725 214
Changes in trading property - inventory		26 437	41 604
Changes in trade and other payables		237 880	2 605 554
Changes in short term financial assets		--	--
Changes in provisions		20 332	793
Income tax paid		-142 029	-50 748
Net cash flows from operating activities:		**-99 631**	**2 175 333**
Investing activities:			
Acquisition of subsidiaries, net of cash acquired	3.4	-4 468 763	-3 127 035
Acquisition of joint-ventures, net of cash acquired	3.4	-197 282	--
Cash acquired as a result of change in consolidation method		3 178	--
Acquisition of non-controlling interest		-300	--
Acquisition of investment property	6.1	-881 527	-778 244
Capital expenditure on own investment property	6.1	-264 200	-33 372
Expenditure on investment property under development	6.2	-373 745	-377 544
Acquisition of property, plant and equipment	6.3	-43 635	-41 980
Acquisition of intangible assets	6.4	-1 912	-2 060
Acquisition of other investments	6.6	-20	--
Proceeds from sale on investment property	5.5	141 654	148 998
Proceeds from sale of property, plant and equipment		3 918	13 754
Proceeds from disposals of subsidiaries, net of cash disposed	5.7	--	507 836
Proceeds from other investments	6.6	303 066	-148 994
Other loans (provided) / repaid		449 256	-1 576 163
Interest received		367 627	87 074
Dividends received		48	--
Net cash flows from investing activities		**-4 962 637**	**-5 327 730**

in thousand Czech crowns (TCZK)

Consolidated statement of cash flows (continued)

	Notes	For the year ended 31 December 2011	31 December 2010
Financing activities:			
Proceeds from issue of share capital	6.11	--	2 348 158
Proceeds from bonds issued	6.13	3 750 000	2 000
Other capital contributions	6.11	1 000 000	--
Drawings of loans and borrowings		1 164 002	2 147 936
Drawings of finance lease liabilities		66 758	350
Interest paid		-774 690	-297 666
Net cash flows from financing activities		**5 206 070**	**4 200 778**
Net increase in cash and cash equivalents		**143 802**	**1 048 381**
Cash and cash equivalents at beginning of the year	6.10	**1 270 018**	**221 637**
Cash and cash equivalents at the end of the year	6.10	**1 413 820**	**1 270 018**

Notes to consolidated financial statements on pages 90 to 186 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Consolidated statement of changes in equity

	Share capital	Share premium	Translation reserve	Reserve for own shares	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2011	**3 093 498**	**76 422**	**220**	**--**	**89 103**	**--**	**41 114**	**9 269 065**	**12 569 422**	**31 941**	**12 601 363**
Comprehensive income for the period											
Profit / (Loss) for the period	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**1 143 275**	**1 143 275**	**-66**	**1 143 209**
Foreign currency translation differences - foreign operations	--	--	13 816	--	--	--	--	--	13 816	--	13 816
Effective portion of changes in fair value of cash flow hedges,	--	--	--	--	--	-230 689	--	--	-230 689	--	-230 689
Income tax on other comprehensive expense	--	--	--	--	--	43 831	--	--	43 831	--	43 831
Total other comprehensive income / (expense)	**--**	**--**	**13 816**	**--**	**--**	**-186 858**	**--**	**--**	**-173 042**	**--**	**-173 042**
Total comprehensive income for the period	**--**	**--**	**13 816**	**--**	**--**	**-186 858**	**--**	**1 143 275**	**970 233**	**-66**	**970 167**
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Issue of ordinary shares	1 334 642	122 800	--	--	--	--	--	--	1 457 442	--	1 457 442
Owner's contribution	--	--	--	--	--	--	1 000 000	--	1 000 000	--	1 000 000
Total contributions by and distributions to owners of the Company	**1 334 642**	**122 800**	**--**	**--**	**--**	**--**	**1 000 000**	**--**	**2 457 442**	**--**	**2 457 442**
Changes in ownership interests in subsidiaries											
Acquisition / disposal of non-controlling interests without a change in control	--	--	--	--	--	--	-	1 142	1 142	-31 442	-30 300
Total changes in ownership interests in subsidiaries	**--**	**--**	**--**	**--**	**--**	**--**	**-**	**1 142**	**1 142**	**-31 442**	**-30 300**
Total transactions with owners of the Company	**1 334 642**	**122 800**	**--**	**--**	**--**	**--**	**1 000 000**	**1 142**	**2 458 584**	**-31 442**	**2 427 142**
Other movements											
Transfers to Legal reserve fund	--	--	--	--	5 543	--	--	-5 543	--	--	--
Total other movements	**--**	**--**	**--**	**--**	**5 543**	**--**	**--**	**-5 543**	**--**	**--**	**--**
Balance at 31 December 2011	**4 428 140**	**199 222**	**14 036**	**--**	**94 646**	**-186 858**	**1 041 114**	**10 407 939**	**15 998 239**	**433**	**15 998 672**

in thousand Czech crowns (TCZK)

Consolidated statement of changes in equity (continued)

	Share capital	Share premium	Translation reserve	Reserve for own shares	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2010	**745 340**	**76 422**	**118**	**19 231**	**74 186**	**--**	**41 114**	**8 173 791**	**9 130 202**	**31 535**	**9 161 737**
Comprehensive income for the period											
Profit for the period	--	--	--	--	--	--	--	1 116 084	1 116 084	801	1 116 885
Foreign currency translation differences - foreign operations	--	--	102	--	--	--	--	--	102	--	102
Total other comprehensive income	**--**	**--**	**102**	**--**	**--**	**--**	**--**	**--**	**102**	**--**	**102**
Total comprehensive income for the period	**--**	**--**	**102**	**--**	**--**	**--**	**--**	**1 116 084**	**1 116 186**	**801**	**1 116 987**
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Issue of ordinary shares	2 000 000	--	--	--	--	--	--	--	2 000 000	--	2 000 000
Own shares sold	348 158	--	--	-19 231	--	--	--	--	328 927	--	328 927
Total contributions by and distributions to owners of the Company	**2 348 158**	**--**	**--**	**-19 231**	**--**	**--**	**--**	**--**	**2 328 927**	**--**	**2 328 927**
Changes in ownership interests in subsidiaries											
Disposal of non-controlling interests resulting in loss of control	--	--	--	--	--	--	--	--	--	-393	-393
Total changes in ownership interests in subsidiaries	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**-393**	**-393**
Total transactions with owners of the Company	**2 348 158**	**--**	**--**	**-19 231**	**--**	**--**	**--**	**--**	**2 328 927**	**-393**	**2 328 534**
Other movements											
Transfers to / from Legal reserve fund	--	--	--	--	14 917	--	--	-14 917	--	--	--
Other changes in equity	--	--	--	--	--	--	--	-5 893	-5 893	-2	-5 895
Total other movements	**--**	**--**	**--**	**--**	**14 917**	**--**	**--**	**-20 810**	**-5 893**	**-2**	**-5 895**
Balance at 31 December 2010	**3 093 498**	**76 422**	**220**	**--**	**89 103**	**--**	**41 114**	**9 269 065**	**12 569 422**	**31 941**	**12 601 363**

Notes to consolidated financial statements on pages 90 to 186 are integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 General information

Czech Property Investments, a.s. („the Company“) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established on 17 December 1991 and is registered in the Commercial register kept by the Municipal Court in Prague.

The address of its registered office is Václavské nám. 1601/47, Prague 1.

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" or individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

Principal activities

Principal activities of the Group are described in Note 4.1.

Description of ownership structure

The Company controls, directly or indirectly a number of other companies in the Czech Republic, Slovak Republic, Ireland, Cyprus and in the Netherlands.

The sole shareholder of the Company is Mr. Radovan Vítek, Minská 41, Brno.

Management

as at 31 December 2011

Board of Directors

Chairman

Radovan Vítek, since 30 November 2011

Vice-chairman

Marek Stubley, since 30 November 2011

Member

Marie Vítková, since 30 November 2011

Supervisory Board

Members

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 28 December 2005

as at 31 December 2010

Board of Directors

Chairman
Zdeněk Havelka, since 11 January 2007

Members

Josef Štolba, since 22 June 2005
Milan Trněný, since 22 June 2005

Supervisory Board

Members

Vladimír Sup, since 12 February 2010
Pavel Semrád, since 12 February 2010
Radan Kamenický, since 28 December 2005

Employees

The Group employed 239 employees at 31 December 2011 (at 31 December 2010 – 120 employees).

The significant growth is directly attributable to the Group’s expansion and extension of its intvestment property portfolio in years 2010 and 2011.

All of the above included employees were engaged in the core business activities of the Group.

2 Summary of significant accounting policies

2.1 Basis of preparation of consolidated financial statements

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 27 April 2012.

In 2011 the Group adopted the following new or amended standards and interpretations, which were relevant to the Group:

- *IFRS 3 – Business Combinations* (effective date 1 July 2010)

  The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); furthermore the amendments limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

- *IFRS 7 Financial Instruments: Disclosures* (effective date 1 January 2011)

  The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- *IAS 1 Presentation of financial statements* (effective date 1 January 2011)

  The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- *IAS 24 Related Party Disclosures* (effective date 1 January 2011)

  The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- *IAS 34 Interim Financial Reporting (effective 1 January 2011)*

  The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

The adoption of the above-mentioned revised standards and amendments do not have a material impact on the consolidated financial statements of the Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- investment property and investment property under development are measured at fair values;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration is measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Czech Crowns, which is the Company's functional currency. All financial information presented in Czech Crowns has been rounded to the nearest thousand (TCZK), except when otherwise indicated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.The estimates and assumptions are based on historical experience, internal calculations and various other facts that the management believes to be reasonable under the circumstances. The actual result might differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2.2(c) - Investment property
- Note 7 – Financial risk management
- Note 2.2(e) – Leases
- Note 2.2(a) – Contingent consideration

(e) Changes in classification and presentation

The Group has amended classification and presentation of certain items in the consolidated financial statements as at 31 December 2011 in order to provide more reliable and accurate information about the Group's financial position, financial performance and its cash-flow. To ensure consistency with the classification selected in the current period, reclassifications were made in the comparative financials as at 31 December 2010.

The reclassifications have no impact to net profit or to equity as were disclosed as at 31 December 2010.

2.2 Significant accounting policies

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent company.

(ii) Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applied acquisition accounting to account for all common control transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes transaction cost.

The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group recognized its interest in a jointly controlled entities using proportionate consolidation. The consolidated statement of financial position includes the assets that the Group controls jointly and the liabilities that it incurs in the course of pursuing the joint operation. The consolidated statement of comprehensive income includes the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Functional currencies

Functional currencies of the companies in the Group depend on the country of their incorporation and operations.

Summary of countries and functional currencies:

Country	Functional currency
Czech Republic	CZK
Slovak Republic	EUR
Netherlands	EUR
Ireland	EUR
Cyprus	EUR

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

in thousand Czech crowns (TCZK)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in the other comprehensive income.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Czech Crowns at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Czech Crowns at exchange rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences arising on translation of foreign operations are recognised in other comprehensive income, and presented in foreign currency translation reserve (Translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of gain or loss on the disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Cash flows of foreign operations are translated to Czech Crowns at exchange rates approximating the foreign exchange rates at the dates of the transactions.

The following exchange rates were used during translations:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 12-month period
31 December 2011	25.800	24.586
31 December 2010	25.060	25.290
1 January 2010	26.465	N/A

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2011 and 2010 respectively.

Following methods of investment property valuation were used with respect of its segment classification.

(i) Residential

Residential properties have been valued using Discounted cash flow (DCF) method of valuation. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over a ten-year period. After ten years a determining residual value (exit scenario) is calculated.

(ii) Retail, Office, Logistics

Retail, office and logistics properties have been valued using Investment method of valuation. This method is based on the capitalization of the net annual income the property generates or is potentially able to generate. On lease expiry future income flows have been capitalized into perpetuity at the estimated rental value, taking into account expiry voids and rent free periods. The net income is the total rental income reduced by the costs the landlord cannot cover from the tenants. The capitalisation yield is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing seller in the arm´s length transaction.

(iii) Land and vacant buildings

Land and vacant buildings have been valued using the direct comparison method to arrive at the value of the property in its existing state. Comparison of other similarly located and zoned plots of land/buildings that are currently on the market in the similar location was performed.

(iv) Profits method of valuation (Hotel)

Hotel properties have been valued using the Profits method of valuation. The capital value has been estimated from the amount of trade conducted at the property, as the value primarily depends on the property's earning capacity. From estimated gross earnings estimation of working expenses was deducted and then capitalised at an appropriate yield by analysing sales of similar properties.

The results of independent valuations were further analysed by the Group's valuation committee and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions.

A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. The initial cost of a property interest held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease, i.e., the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy 2.2(n).

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(d) Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development and measured at fair value. Any gain or loss arising on the measurement is recognised in profit or loss.

When the Group begins to develop an existing investment property for future sale, the property is reclassified to trading property – inventory. The fair value of such property is deemed to be the property's cost for subsequent accounting under IAS 2.

Development is deemed by the Group to commence at the moment the permission for construction is obtained from the state authorities and the Group undertakes steps which give a reasonable certainty that construction or development will start in a foreseeable future.

Properties under developer have been valued "as if completed" using an Investment method/Comparable method/Profits method of valuation to derive the Gross Development Value, assuming that at the date of valuation the development is completed. To arrive at the value of the property in its existing state the residual method of valuation was used which involves calculating the Residual Value by deducting all estimated development costs required to carry out the project from the Gross Development Value.

The results of independent valuations were further analysed by the Group's valuation committee and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy 2.2(n).

Property held under finance lease that meets the criteria of investment property is classified as such and is measured at fair value as described in accounting policy 2.2(c).

Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy 2.2(j)).

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value. Lease payments are accounted for as described in accounting policy 2.2(n).

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 2.2(j)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, capitalised borrowing costs and an appropriate proportion of production overheads.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses the previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	2011	2010
Equipment	10 years	10 years
Motor vehicles	5 years	5 years
Fittings	5 years	5 years
Computers	3 years	3 years

Depreciation methods, useful lives and residual values (if not insignificant) are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

(i) Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 2.2(a).

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is not amortised but is tested annually for impairment (see accounting policy 2.2(j)).

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy 2.2(j)).

(iii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	2011	2010
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

Amortisation methods, useful lives and residual values (if not insignificant) are reviewed at each reporting date and adjusted if appropriate.

(h) Trading property - inventory

Trading property - inventory is measured at the lower of cost and net realisable value.

Cost includes expenditure that is directly attributable to the acquisition of the trading property - inventory. The cost of self-constructed trading property - inventory includes the cost of material and direct labour, any other costs directly attributable to bringing the trading property - inventory to a condition for their intended use and capitalised borrowing costs. Costs of trading property – inventory reclassified from existing investment property is based on the fair value of such property.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses

(i) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, provided loans, trade and other receivables, and cash and cash equivalents.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including financial assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Provided loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(j)).

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate calculated at initial recognition of these financial assets). Loan receivables with a short duration are not discounted.

The Group classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(j)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(j)).

Held-to-maturity financial assets comprise bonds.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy 2.2(j)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets which are investments in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate are carried at cost.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings, bonds issued, bank overdrafts, and trade and other payables.

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing loans, borrowings and bonds issued and bank overdraft

Interest-bearing loans, borrowings and bonds are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans, borrowings and bonds are measured at amortised cost using the effective interest method.

Bank overdrafts form an integral part of the Group’s cash management.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group classifies as a current portion any part of long-term loans or bonds that is due within one year from the date of the statement of financial position.

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

(iii) Share capital and share premium

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and shares options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects.

Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasure shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect reported profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in the fair value of the derivative are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, or if it expires or is sold, terminated or exercised, then hedge accounting is discontinued as expected. The cumulative gain or loss previously recognised in equity remains there until the anticipated transaction takes place.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when the asset is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(j) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired 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(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant of prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (provided loans, trade and other receivables, held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non - financial assets

The carrying amounts of the Group's non-financial assets, other than investment property (see accounting policy 2.2(c)) and deferred tax assets (see accounting policy 2.2(p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Guaranties provided

In the normal course of business, the Group entities may enter into credit related commitments which are accounted for in accounts out of the statement of financial position. These commitments primarily include financial guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

(m) Revenue

(i) Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(ii) Service charges and expenses recoverable from tenants

Service charges and expenses recoverable from tenants are disclosed net in the consolidated statement of comprehensive income. They are recorded based on received invoices and estimates.

(iii) Services rendered

Revenue from services rendered is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. This usually involves other services not directly connected with rental activities.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as a principal in the transaction, the revenue recognized is the net amount of commission made by the Group

(v) Sale of investment property, trading property, investments in subsidiaries and equity-accounted investees

Revenue from the sale of investment property, trading property, investments in subsidiaries and equity-accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(n) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it was a finance lease and the fair value model is used for the asset recognised.

(iii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(o) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans, interest on bonds purchased), dividend income, gains on disposal of available-for-sale financial assets, , gains on derivative instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings, on bonds issued, interest charges related to finance leases, bank charges, losses on disposal of available-for-sale financial assets, losses on derivative instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

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

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

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will no reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

Each segment within the group is periodically evaluated during the regular meetings of established task forces and results of such evaluations are reported during the Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group’s headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Group’s operating and geographical segments. The Group’s primary format for segment reporting is based on operating segments. The operating segments are determined based on the Group’s management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

in thousand Czech crowns (TCZK)

3 Group entities

Control of the Group

The Group's ultimate parent company is Czech Property Investments, a.s. which is controlled by the sole shareholder Mr. Radovan Vítek.

3.1 Subsidiaries, joint-ventures and associates

As at 31 December 2011 the Group is formed by parent company, 130 subsidiaries controlled by the parent company and 5 jointly controlled entities (2010 – 63 subsidiaries, no jointly controlled entities and 2 associates).

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2011	31 December 2010
4B Property, s.r.o.	Czech Republic	50,00%	50,00%
A/L SK Office 2 s.r.o.	Slovak Republic	100,00%	--
AB BHV, spol. s.r.o.	Czech Republic	100,00%	--
ABIGAIL, a.s.	Slovak Republic	100,00%	100,00%
Auto - priemyselný park, s.r.o. Lozorno	Slovak Republic	100,00%	--
Bageleot, a.s.	Czech Republic	100,00%	--
Balvinder, a.s.	Czech Republic	100,00%	100,00%
Baudry Beta, a.s.	Czech Republic	100,00%	--
Baudry, a.s.	Czech Republic	100,00%	--
Baumarkt České Budějovice s.r.o.	Czech Republic	100,00%	100,00%
BAYTON SR, a.s.	Slovak Republic	100,00%	--
Beroun Property Alfa, a.s.	Czech Republic	100,00%	--
Beroun Property Development, a.s. (Graciana, a.s.)	Czech Republic	100,00%	100,00%
Betonstav spol. s r.o.	Czech Republic	100,00%	100,00%
BPT Development, a.s.	Czech Republic	100,00%	100,00%
BRILLIANT VARIETY s.r.o.	Czech Republic	100,00%	--
Březiněves, a.s.	Czech Republic	100,00%	99,45%
Camuzzi, a.s.	Czech Republic	100,00%	--
Carpenter Invest, a.s.	Czech Republic	100,00%	100,00%
CB Property Development, a.s.	Czech Republic	100,00%	100,00%
Conradian, a.s.	Czech Republic	100,00%	100,00%
COPA Centrum Národní, s.r.o.	Czech Republic	50,00%	--
CPI - Bor, a.s.	Czech Republic	100,00%	80,00%
CPI - City Park Jihlava, a.s.	Czech Republic	100,00%	--
CPI - Facility, a.s.	Czech Republic	100,00%	100,00%
CPI - Krásné Březno, a.s.	Czech Republic	99,96%	99,96%
CPI - Land Development, a.s.	Czech Republic	100,00%	100,00%
CPI - Orlová, a.s.	Czech Republic	100,00%	100,00%
CPI - Real Estate, a.s.	Czech Republic	100,00%	100,00%
CPI - Štupartská, a.s.	Czech Republic	100,00%	100,00%
CPI - Zbraslav, a.s.	Czech Republic	100,00%	100,00%
CPI BYTY, a.s.	Czech Republic	100,00%	100,00%

in thousand Czech crowns (TCZK)

Subsidiaries, joint-ventures and associates (continued)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2011	31 December 2010
CPI City Center ÚL, a.s.	Czech Republic	100,00%	100,00%
CPI Facility Slovakia, a.s.	Slovak Republic	100,00%	--
CPI Finance Ireland Limited	Ireland	100,00%	--
CPI Finance Netherlands B.V.	Netherlands	100,00%	--
CPI Finance, a.s.	Czech Republic	100,00%	100,00%
CPI Hotels Properties, a.s.	Czech Republic	100,00%	100,00%
CPI Management, s.r.o.	Czech Republic	100,00%	--
CPI Park Mlýnec, a.s.	Czech Republic	100,00%	100,00%
CPI Park Žďárek, a.s.	Czech Republic	99,96%	99,96%
CPI Property, s.r.o.	Czech Republic	100,00%	--
CPI Reality, a.s.	Czech Republic	100,00%	100,00%
CPI Retails ONE, a.s.	Czech Republic	100,00%	--
CPI Retails TWO, a.s.	Czech Republic	100,00%	--
CPI Services, a.s.	Czech Republic	100,00%	100,00%
Čadca Property Development, s.r.o. (TSB, s.r.o.)	Slovak Republic	100,00%	100,00%
Český Těšín Property Development, a.s.	Czech Republic	100,00%	100,00%
DOREK Vysoké Mýto, a.s.	Czech Republic	100,00%	--
Družstvo Land	Czech Republic	99,96%	99,96%
Dunajská Streda Investments, s.r.o.	Slovak Republic	100,00%	--
ELAMOR, a.s.	Slovak Republic	100,00%	--
EMDEEN, a.s. (1)	Czech Republic	--	100,00%
Farhan, a.s.	Czech Republic	100,00%	100,00%
FL Property Development, a.s.	Czech Republic	100,00%	100,00%
HERTONE, a.s.	Slovak Republic	100,00%	--
Horova Immo s.r.o.	Czech Republic	50,00%	--
Hraničář, a.s.	Czech Republic	100,00%	100,00%
Chrudim Investments, a.s.	Czech Republic	100,00%	--
IGY České Budějovice, s.r.o. (2)	Czech Republic	--	100,00%
IGY2 CB, a.s.	Czech Republic	100,00%	--
Kerina, a.s.	Czech Republic	100,00%	--
Komárno Investments, s.r.o.	Slovak Republic	100,00%	--
Komárno Property Development, a.s.	Slovak Republic	100,00%	100,00%
Komura, a.s.	Czech Republic	100,00%	--
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100,00%	100,00%
Lockhart, a.s.	Czech Republic	100,00%	100,00%
LUDLOW a.s.	Czech Republic	100,00%	--
Malerba, a.s.	Czech Republic	100,00%	100,00%
MAPON, a.s.	Czech Republic	100,00%	--
Marissa Alfa, a.s.	Czech Republic	100,00%	--
Marissa Beta, a.s.	Czech Republic	100,00%	--
Marissa Delta, a.s.	Czech Republic	100,00%	--
Marissa East, a.s.	Czech Republic	100,00%	--
Marissa Epsilon, a.s.	Czech Republic	100,00%	--
Marissa Gama, a.s.	Czech Republic	100,00%	--
Marissa Ióta, a.s.	Czech Republic	100,00%	--

in thousand Czech crowns (TCZK)

Subsidiaries, joint-ventures and associates (continued)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2011	31 December 2010
Marissa Kappa, a.s.	Czech Republic	100,00%	--
Marissa Ksí, a.s.	Czech Republic	100,00%	--
Marissa Lambda, a.s.	Czech Republic	100,00%	--
Marissa North, a.s.	Czech Republic	100,00%	--
Marissa Omega, a.s.	Czech Republic	100,00%	--
Marissa Omikrón, a.s.	Czech Republic	100,00%	--
Marissa Sigma, a.s.	Czech Republic	100,00%	--
Marissa South, a.s.	Czech Republic	100,00%	--
Marissa Tau, a.s.	Czech Republic	100,00%	--
Marissa Théta, a.s.	Czech Republic	100,00%	--
Marissa West, a.s.	Czech Republic	100,00%	--
Marissa Yellow, a.s.	Czech Republic	100,00%	--
Marissa Ypsilon, a.s.	Czech Republic	100,00%	--
Marissa, a.s.	Czech Republic	100,00%	--
MB Property Development, a.s.	Czech Republic	100,00%	100,00%
Mělník Investments, s.r.o.	Czech Republic	100,00%	--
Michalovce Property Development, a.s.	Slovak Republic	100,00%	100,00%
Modřanská Investment, s.r.o. (3)	Czech Republic	--	100,00%
Modřanská Property, a.s.	Czech Republic	100,00%	100,00%
MUXUM, a.s.	Czech Republic	100,00%	100,00%
Náchod Investments, s.r.o.	Czech Republic	100,00%	--
NERONTA, a.s.	Slovak Republic	100,00%	--
Nymburk Property Development, a.s.	Czech Republic	100,00%	100,00%
OC Nová Zdaboř a.s.	Czech Republic	100,00%	100,00%
Office Center Stodůlky DELTA a.s. (4)	Czech Republic	--	100,00%
Office Star Four, spol. s r.o.	Czech Republic	100,00%	--
Office Star Fourteen, spol. s r.o.	Czech Republic	100,00%	--
Office Star One, spol. s r.o.	Czech Republic	100,00%	--
Office Star Seven, spol. s r.o.	Czech Republic	100,00%	--
Office Star Ten, spol. s r.o.	Czech Republic	100,00%	--
Office Star Thirteen, spol. s r.o.	Czech Republic	100,00%	--
Office Star Three, spol. S r.o.	Czech Republic	100,00%	--
Olomouc City Center, a.s.	Czech Republic	100,00%	--
OLYMPIA Mladá Boleslav s.r.o.	Czech Republic	100,00%	--
OLYMPIA Teplice s.r.o.	Czech Republic	100,00%	--
Pardubice Investments, s.r.o.	Czech Republic	100,00%	--
Považská Bystrica Investments, s.r.o.	Slovak Republic	100,00%	--
Považská Bystrica Property Development, a.s.	Slovak Republic	100,00%	100,00%
Prague Development Holding, a.s. (5)	Czech Republic	--	100,00%
Prague Property Development, s.r.o.	Czech Republic	100,00%	100,00%
Prievidza Property Development, a.s.	Slovak Republic	100,00%	100,00%
RK Building s.r.o.	Czech Republic	100,00%	--
Ružomberok Property Development, a.s.	Slovak Republic	100,00%	100,00%
Řepy Investments, s.r.o.	Czech Republic	100,00%	--
SHEMAR INVESTMENTS LIMITED	Cyprus	100,00%	100,00%

in thousand Czech crowns (TCZK)

Subsidiaries, joint-ventures and associates (continued)

Name (former name)	Country of incorporation	Ownership interest as at 31 December 2011	Ownership interest as at 31 December 2010
Strakonice Property Development, a.s.	Czech Republic	100,00%	100,00%
Svitavy Property Alfa, a.s.	Czech Republic	100,00%	--
Svitavy Property Development, a.s.	Czech Republic	100,00%	100,00%
Telč Property Development, a.s.	Czech Republic	100,00%	--
Trebišov Property Development, s.r.o. (ISTROFINAL TV, s. r.o.)	Slovak Republic	100,00%	100,00%
Trenčín Property Development, a.s.	Slovak Republic	100,00%	100,00%
TRIFIT Vysoké Mýto s.r.o.	Czech Republic	100,00%	--
Trutnov Property Development, a.s.	Czech Republic	100,00%	--
Třinec Property Development, a.s.	Czech Republic	100,00%	100,00%
U svatého Michala, a.s.	Czech Republic	100,00%	100,00%
Ústí nad Labem Property Development, a.s. (5)	Czech Republic	--	100,00%
Vigano, a.s.	Czech Republic	100,00%	100,00%
VM Property Development, a.s.	Czech Republic	100,00%	100,00%
VT Alfa, a.s.	Czech Republic	50,00%	--
VT Holding, a.s.	Czech Republic	50,00%	50,00%
Vyškov Property Development, a.s.	Czech Republic	100,00%	100,00%
Zvolen Property Development, a.s.	Slovak Republic	100,00%	100,00%
Žďár Property Development, a.s.	Czech Republic	100,00%	--
Ždírec Property Development, a.s.	Czech Republic	100,00%	--

(1) EMDEEN, a.s. has merged with OC Nová Zdaboř, a.s. (the “successor company”) with the effective date of 1 January 2011. All assets and liabilities of) EMDEEN, a.s.passed to the successor company that. The transaction was legally completed on 1 August 2011 when the merger was recorded in the commercial register.

(2) IGY České Budějovice, s.r.o. has merged with CB Property Development, a.s. (the “successor company”) with the effective date of 1 January 2011. All assets and liabilities of IGY České Budějovice, s.r.o.passed to the successor company that. The transaction was legally completed on 18 May 2011 when the merger was recorded in the commercial register.

(3) Modřanská Investment, s.r.o. has merged with Modřanská Property, a.s. (the “successor company”) with the effective date of 1 January 2011. All assets and liabilities Modřanská Investment, s.r.o. passed to the successor company that. The transaction was legally completed on 10 August 2011 when the merger was recorded in the commercial register.

(4) Office Center Stodůlky DELTA a.s. has merged with Farhan, a.s. (the “successor company”) with the effective date of 1 March 2011. All assets and liabilities Office Center Stodůlky DELTA a.s. passed to the successor company that. The transaction was legally completed on 24 October 2011 when the merger was recorded in the commercial register.

(5) Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. have merged with Czech Property Investments, a.s. (the “successor company”) with the effective date of 28 July 2011. All assets and liabilities of Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. passed to the successor company that. The transaction was legally completed on 28 July 2011 when the merger was recorded in the commercial register.

3.2 Change in consolidation method

VT Holding, a.s. and its subsidiary 4B Property, s.r.o. were classified as associates and consolidated as equity-accounted investees at 31 December 2010. As a result of change in control of related projects, the entities are classified and consolidated as joint-ventures since 1 January 2011.

in thousand Czech crowns (TCZK)

3.3 Changes in the Group

During 2011, the Group has acquired/founded the following entities. No entities were disposed in 2011.

Entity	Change	Share in %	Date of acquisition/foundation
AB BHV, spol. s.r.o.	acquisition	100,00%	13 January 2011
Auto - priemyselný park, s.r.o. Lozorno (1)	acquisition	100,00%	3 August 2011
Bageleot, a.s.	acquisition	100,00%	15 July 2011
Baudry Beta, a.s.	founded	100,00%	1 August 2011
Baudry, a.s.	acquisition	100,00%	8 March 2011
BAYTON SR, a.s.	acquisition	100,00%	1 February 2011
Beroun Property Alfa, a.s.	founded	100,00%	19 July 2011
Březiněves, a.s.	acquisition	0,55%	1 March 2011
Camuzzi, a.s. 2)	acquisition	100,00%	8 March 2011
COPA Centrum Národní, s.r.o.	acquisition	50,00%	29 July 2011
CPI - Bor, a.s.	acquisition	20,00%	4 January 2011
CPI - City Park Jihlava, a.s.	acquisition	100,00%	9 December 2011
CPI Facility Slovakia, a.s.	founded	100,00%	30 June 2011
CPI Finance Ireland Limited	acquisition	100,00%	31 March 2011
CPI Finance Netherlands B.V.	acquisition	100,00%	12 April 2011
CPI Management, s.r.o.	founded	100,00%	19 September 2011
CPI Property, s.r.o.	founded	100,00%	27 September 2011
CPI Retails ONE, a.s.	acquisition	100,00%	1 February 2011
CPI Retails TWO, a.s.	acquisition	100,00%	1 February 2011
DOREK Vysoké Mýto, a.s.	acquisition	100,00%	3 November 2011
Dunajská Streda Investments, s.r.o.	acquisition	100,00%	12 April 2011
ELAMOR, a.s.	acquisition	100,00%	7 April 2011
HERTONE, a.s.	acquisition	100,00%	7 April 2011
Horova Immo s.r.o.	acquisition	50,00%	24 August 2011
Chrudim Investments, a.s.	acquisition	100,00%	12 April 2011
IGY2 CB, a.s.	founded	100,00%	24 August 2011
Kerina, a.s.	acquisition	100,00%	1 February 2011
Komárno Investments, s.r.o.	acquisition	100,00%	12 April 2011
Komura, a.s. (3)	acquisition	100,00%	1 June 2011
LUDLOW a.s.	acquisition	100,00%	24 August 2011
MAPON, a.s.	acquisition	100,00%	3 August 2011
Marissa Alfa, a.s.	founded	100,00%	5 April 2011
Marissa Beta, a.s.	founded	100,00%	5 April 2011
Marissa Delta, a.s.	founded	100,00%	14 April 2011
Marissa East, a.s.	founded	100,00%	5 April 2011
Marissa Epsilon, a.s.	founded	100,00%	8 April 2011
Marissa Gama, a.s.	founded	100,00%	6 April 2011
Marissa Ióta, a.s.	founded	100,00%	8 April 2011
Marissa Kappa, a.s.	founded	100,00%	5 April 2011
Marissa Ksí, a.s.	founded	100,00%	6 April 2011
Marissa Lambda, a.s.	founded	100,00%	14 April 2011
Marissa North, a.s.	founded	100,00%	5 April 2011
Marissa Omega, a.s.	founded	100,00%	7 April 2011
Marissa Omikrón, a.s.	founded	100,00%	8 April 2011

in thousand Czech crowns (TCZK)

Changes in the Group (continued)

Entity	Change	Share in %	Date of acquisition/foundation
Marissa Sigma, a.s.	founded	100,00%	6 April 2011
Marissa South, a.s.	founded	100,00%	5 April 2011
Marissa Tau, a.s.	founded	100,00%	7 April 2011
Marissa Théta, a.s.	founded	100,00%	6 April 2011
Marissa West, a.s.	founded	100,00%	6 April 2011
Marissa Yellow, a.s.	founded	100,00%	8 April 2011
Marissa Ypsilon, a.s.	founded	100,00%	5 April 2011
Marissa, a.s.	acquisition	100,00%	8 March 2011
Mělník Investments, s.r.o.	acquisition	100,00%	12 April 2011
Náchod Investments, s.r.o.	acquisition	100,00%	12 April 2011
NERONTA, a.s.	acquisition	100,00%	7 April 2011
Office Star Four, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star Fourteen, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star One, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star Seven, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star Ten, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star Thirteen, spol. s r.o.	acquisition	100,00%	1 October 2011
Office Star Three, spol. s r.o.	acquisition	100,00%	1 October 2011
Olomouc City Center, a.s.	founded	100,00%	13 June 2011
OLYMPIA Mladá Boleslav s.r.o.	acquisition	100,00%	28 July 2011
OLYMPIA Teplice s.r.o.	acquisition	100,00%	28 July 2011
Pardubice Investments, s.r.o.	acquisition	100,00%	12 April 2011
Považská Bystrica Investments, s.r.o.	acquisition	100,00%	12 April 2011
Řepy Investments, s.r.o.	acquisition	100,00%	12 April 2011
Svitavy Property Alfa, a.s.	founded	100,00%	20 July 2011
Telč Property Development, a.s.	acquisition	100,00%	31 March 2011
TRIFIT Vysoké Mýto s.r.o.	acquisition	100,00%	3 November 2011
Trutnov Property Development, a.s.	acquisition	100,00%	4 April 2011
VT Alfa, a.s.	founded	50,00%	30 June 2011
Žďár Property Development, a.s.	acquisition	100,00%	8 March 2011
Ždírec Property Development, a.s.	acquisition	100,00%	2 May 2011

(1) including subsidiary A/L SK Office 2 s.r.o.
(2) including subsidiary RK Building, s.r.o.
(3) including subsidiary BRILLIANT VARIETY s.r.o.

3.4 Acquisitions of subsidiaries, joint ventures and non-controlling interest in 2011

(a) Acquisition of subsidiaries and joint ventures

„REAL4YOU“ group

On 12 April 2011 the Group has finalised the purchase of 14 retail properties in the Czech Republic and Slovakia from Austrian developer group Real4You Immobilien. The facilities include a chain of Penny Market stores and FamilyCentres retail parks with a combined area of around 50,000 sqm. The acquisition also included FamilyCentre Senica in Slovakia, acquired at the planning stage.

The sale and purchase agreement includes also contingent consideration subject to certain indicators of business performance are met. The additional cash payments due to the seller could amount to TCZK 1 739 maximum.

Based on internal analysis performed the Group expects no additional cash payments to be paid.

New name	Former name
Dunajská Streda Investments, s.r.o.	AGORIA HOLDING, s.r.o.
Chrudim Investments, a.s.	Real4You Alpha spol. s r.o.
Pardubice Investments,s.r.o.	Magnum CZ Hradec Králové spol. s r.o.
Komárno Investments, s.r.o.	AGORIA DEVELOPMENT, s.r.o.
Mělník Investments, s.r.o.	Magnum CZ Kappa spol. s r.o.
Náchod Investments, s.r.o.	Magnum CZ Univerzal spol. s r.o.
Považská Bystrica Investments, s.r.o.	AGORIA INVESTMENT, s.r.o.
Řepy Investments, s.r.o.	MAGNUM CZ,s.r.o.

in thousand Czech crowns (TCZK)

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	Czech Republic					Slovak Republic			
	Pardubice Investments, s.r.o.	**Mělník Investments, s.r.o.**	**Řepy Investments, s.r.o.**	**Chrudim Investments, a.s.**	**Náchod Investments, s.r.o.**	**Dunajská Streda Investments, s.r.o.**	**Komárno Investments, s.r.o.**	**Považská Bystrica Investments, s.r.o.**	**Total**
Investment property	31 809	86 906	243 235	144 984	142 299	311 217	414 153	190 748	1 565 351
Loans provided	7 092	30 226	68 346	7 316	--	2 830	--	--	115 810
Trade and other receivables	109	831	1 294	823	1 430	2 665	2 297	2 770	12 219
Cash and cash equivalents	56	444	1 065	3 236	277	357	946	2 243	8 624
Identifiable acquired assets	**39 066**	**118 407**	**313 940**	**156 359**	**144 006**	**317 069**	**417 396**	**195 761**	**1 702 004**
Non-current interest-bearing loans and borrowings	-16 326	-87 831	-178 390	-120 861	-105 464	-243 670	-373 515	-113 034	-1 239 091
Other non-current liabilities	-53	-185	-351	-811	-641	-5 161	-1 498	-1 141	-9 841
Deferred tax liability	-4 202	-4 291	-24 463	-4 810	-4 717	-11 638	-6 654	-11 329	-72 104
Current interest bearing loans and borrowings	--	--	--	--	--	-14 715	-13 992	-35 205	-63 912
Current income tax liabilites	--	--	--	--	-980	--	--	--	-980
Trade and other payables	-352	-1 461	-2 686	-3 838	-1 905	-5 857	-5 392	-4 191	-25 682
Identifiable acquired liabilities	**-20 933**	**-93 768**	**-205 890**	**-130 320**	**-113 707**	**-281 041**	**-401 051**	**-164 900**	-1 411 610
Net ident.assets of subsidiary acquired	**18 133**	**24 639**	**108 050**	**26 039**	**30 299**	**36 028**	**16 345**	**30 861**	**290 394**
Consideration paid	**18 133**	**24 639**	**108 050**	**26 039**	**30 299**	**36 028**	**16 345**	**30 861**	**290 394**
Goodwill / (bargain purchase)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Cash and cash equivalents acquired	**56**	**444**	**1 065**	**3 236**	**277**	**357**	**946**	**2 243**	**8 624**
Cash outflow	**18 077**	**24 195**	**106 985**	**22 803**	**30 022**	**35 671**	**15 399**	**28 618**	**281 770**
Post-acquisition profit/ (loss)	**-1 001**	**-3 431**	**-5 002**	**-6 394**	**-4 100**	**3 838**	**-6 450**	**-7 097**	**-29 637**

in thousand Czech crowns (TCZK)

"Office Stars" group

On 1 October 2011, the Group acquired 100% of the shares of 7 entities from PPF Group. These entities hold a portfolio of 19 office buildings in Czech Republic. In total, the assets comprise 122,000 m2 of fully let office premises.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	Office Star One, spol. s r.o.	Office Star Three, spol. s r.o.	Office Star Four, spol. s r.o.	Office Stars Seven, spol. s r.o.	Office Star Ten, spol. s r.o.	Office Star Thirteen, spol. s r.o.	Office Star Fourteen, spol. s r.o.	Total
Investment property	991 078	1 078 522	852 174	832 701	31 560	383 399	1 476 462	5 645 896
Property, plant and equipment	--	--	800	--	--	12	--	812
Trade and other receivables	26 332	17 798	11 098	14 665	1 152	70	667	71 782
Cash and cash equivalents	20 455	34 614	31 242	26 845	1 448	10 154	4 258	129 016
Identifiable acquired assets	**1 037 865**	**1 130 934**	**895 314**	**874 211**	**34 160**	**393 635**	**1 481 387**	5 847 506
Non-current interest-bearing loans and borrowings	-484 278	-753 749	-727 461	-460 917	-20 630	-264 198	-1 247 034	-3 958 267
Deferred tax liability	-81 668	-12 451	-8 277	-67 332	-3 231	-20 658	-5 254	-198 871
Current interest bearing loans and borrowings	-26 856	-38 427	-31 297	-21 787	--	-11 968	-18 768	-149 103
Current income tax liabilites	-1 716	-5 189	-2 252	-1 503	--	-1 198	--	-11 858
Trade and other payables	-68 590	-72 599	-23 641	-17 715	-1 699	-213	-11 643	-196 100
Identifiable acquired liabilities	**-663 108**	**-882 415**	**-792 928**	**-569 254**	**-25 560**	**-298 235**	**-1 282 699**	-4 514 199
Net ident.assets of subsidiary acquired	**374 757**	**248 519**	**102 386**	**304 957**	**8 600**	**95 400**	**198 688**	1 333 307
Consideration paid	**374 757**	**248 519**	**102 386**	**304 957**	**8 600**	**95 400**	**198 688**	1 333 307
Goodwill / (bargain purchase)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	--
Cash and cash equivalents acquired	**20 455**	**34 614**	**31 242**	**26 845**	**1 448**	**10 154**	**4 258**	129 016
Cash outflow	**354 302**	**213 905**	**71 144**	**278 112**	**7 152**	**85 246**	**194 430**	1 204 291
Post-acquisition profit/ (loss)	**7 753**	**17 013**	**101 743**	**6 995**	**732**	**2 441**	**254 508**	391 185

in thousand Czech crowns (TCZK)

Olympia Retail Parks

On 28 July 2011, the Group acquired OLYMPIA Teplice s.r.o. (shopping centre Olympia Teplice) and OLYMPIA Mladá Boleslav s.r.o. (shopping centre Olympia Mladá Boleslav) from CA Immo and Union Investment Real Estate. The facility in Mladá Boleslav offers app. 22 000 sqm retail space, the one in Teplice over 32 000 sqm. Both shopping centres are fully rented out to tenants.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	OLYMPIA Teplice s.r.o.	**OLYMPIA Mlada Boleslav s.r.o.**
Investment property	1 501 362	1 211 491
Intangible assets	--	215
Trade and other receivables	8 665	7 540
Cash and cash equivalents	40 965	35 833
Identifiable acquired assets	**1 550 992**	**1 255 079**
Non-current interest-bearing loans and borrowings	-554 420	-362 640
Other non-current liabilities	-11 781	-357
Deferred tax liability	-202 856	-163 766
Current income tax liabilites	-1 966	-463
Trade and other payables	-19 622	-23 185
Identifiable acquired liabilities	**-790 645**	**-550 411**
Net ident.assets of subsidiary acquired	**760 347**	**704 668**
Consideration paid	**760 347**	**704 668**
Goodwill / (bargain purchase)	**--**	**--**
Cash and cash equivalents acquired	**40 965**	**35 833**
Cash outflow	**719 382**	**668 835**
Post-acquisition profit/ (loss)	**26 220**	**7 169**

in thousand Czech crowns (TCZK)

City Park Jihlava

On 9 December 2011 the Group has completed acquisition of CPI - City Park Jihlava, a.s. (formerly CEI Building, a.s.) holding the regional shopping centre with app. 25 000 sqm of retail space.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	City Park Jihlava, a.s.
Investment property	2 442 087
Trade and other receivables	45 840
Cash and cash equivalents	144 657
Identifiable acquired assets	**2 632 584**
Non-current interest-bearing loans and borrowings	-1 259 654
Other non-current liabilities	-23 260
Deferred tax liability	-232 726
Current interest bearing loans and borrowings	-32 724
Trade and other payables	-125 061
Identifiable acquired liabilities	**-1 673 425**
Net ident.assets of subsidiary acquired	**959 159**
Consideration paid	**959 159**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**144 657**
Cash outflow	**814 502**
Post-acquisition profit/ (loss)	**5 030**

The sale and purchase agreement includes also contingent consideration subject to certain indicators of business performance are met. The additional cash payments due to the seller could amount to TCZK 5 973 maximum.

in thousand Czech crowns (TCZK)

Auto - priemyselný park, s.r.o. Lozorno

On 3 August 2011, the Group acquired the entity Auto - priemyselný park, s.r.o. Lozorno including its subsidiary A/L SK Office 2 s.r.o. This acquisition relates to Lozorno industrial zone near Bratislava. The Lozorno zone is one of the largest automotive parks in Central Europe, with five industrial halls and combined leasable area of 118 000 sqm.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	Auto - priemyselný park, s.r.o.
Investment property	2 038 817
Loans provided	412 110
Trade and other receivables	27 361
Cash and cash equivalents	52 479
Identifiable acquired assets	**2 530 767**
Non-current interest-bearing loans and borrowings	-357 184
Other non-current liabilities	-7 531
Deferred tax liability	-314 785
Current interest bearing loans and borrowings	-976 133
Trade and other payables	-36 435
Identifiable acquired liabilities	**-1 692 068**
Net ident.assets of subsidiary acquired	**838 699**
Consideration paid	**838 699**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**52 479**
Cash outflow	**786 220**
Post-acquisition profit/ (loss)	**16 721**

in thousand Czech crowns (TCZK)

COPA Centrum Národní, s.r.o

On 29 July 2011, the Group has acquired 50% stake in COPA Centrum Národní, s.r.o., a 28,000 sqm office and retail scheme in the centre of Prague. The seller, Pawlowski AG holds the other 50% ownership interest. The acquired entity is operated as jointly controlled entity.

The fair value of the identifiable assets and liabilities attributable to 50% Group's share at the date of acquisition was as follows:

	COPA Centrum Národní, s.r.o.
Investment property under development	543 314
Property, plant and equipment	5 556
Trade and other receivables	1 342
Cash and cash equivalents	3
Identifiable acquired assets	**550 215**
Non-current interest-bearing loans and borrowings	-194 259
Other non-current liabilities	-216
Deferred tax liability	-27 944
Current interest bearing loans and borrowings	-199 817
Trade and other payables	-54 524
Provisions	-885
Identifiable acquired liabilities	**-477 645**
Net ident.assets of subsidiary acquired	**72 570**
Consideration paid	**72 570**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**3**
Cash outlfow	**72 567**
Post-acquisition profit/ (loss)	**-58 702**

KOMURA, a.s.

On 1 June the Group acquired 100% share in KOMURA, a.s. including its subsidiary Brilliant Variety, s.r.o. This acquisition relates to industrial park in Brandys nad Labem.

The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	KOMURA, a.s.
Investment property	392 757
Loans provided	13 373
Trade and other receivables	4 802
Cash and cash equivalents	33 303
Identifiable acquired assets	**444 235**
Non-current interest-bearing loans and borrowings	-437 566
Deferred tax liability	-1 351
Current interest bearing loans and borrowings	-166
Trade and other payables	-3 152
Identifiable acquired liabilities	**-442 235**
Net ident.assets of subsidiary acquired	**2 000**
Consideration paid	**2 000**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**33 303**
Cash inlfow	**31 303**
Post-acquisition profit/ (loss)	**30 804**

in thousand Czech crowns (TCZK)

Horova Immo s.r.o.

On 24 August 2011, the Group's joint venture VT Holding a.s. acquired 100% stake in entity Horova Immo s.r.o.

The fair value of the identifiable assets and liabilities attributable to 50% Group's share at the date of acquisition was as follows:

	Horova Immo s.r.o.
Investment property	327 209
Current income tax receivables	1 775
Trade and other receivables	908
Cash and cash equivalents	2 007
Identifiable acquired assets	**331 899**
Non-current interest-bearing loans and borrowings	-167 621
Other non-current liabilities	-185
Deferred tax liability	-21 935
Current interest bearing loans and borrowings	-12 843
Trade and other payables	-2 593
Identifiable acquired liabilities	**-205 177**
Net ident.assets of subsidiary acquired	**126 722**
Consideration paid	**126 722**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**2 007**
Cash outflow	**124 715**
Post-acquisition profit/ (loss)	**8 494**

in thousand Czech crowns (TCZK)

Other acquisitions

As part of the acquisitions, the Group has additionally acquired following entities in 2011.

The fair values of the identifiable assets and liabilities at the date of acquisitions were as follows:

	AB BHV, spol. s.r.o.	Bageleot, a.s.	Baudry, a.s.	BAYTON SR, a.s.	Camuzzi, a.s. incl. sub RK Building, s.r.o.	CPI Finance Ireland Limited	CPI Finance Netherlands B.V. **	CPI Retails ONE, a.s.	CPI Retails TWO, a.s.	DOREK Vysoké Mýto, a.s.	ELAMOR, a.s.	HERTONE, a.s.
Investment property	37 975	--	--	--	55 151	--	--	--	--	143 084	--	--
Loans provided	--	1 980	1 980	--	1 985	--	--	1 980	1 980	--	--	--
Current income tax receivables	1	--	--	--	--	--	--	--	--	--	--	--
Trade and other receivables	97	208	208	1 526	231	--	440	201	199	1 941	--	--
Cash and cash equivalents	1 322	1	1	38	100	--	--	1	1	10 678	672	672
Identifiable acquired assets	**39 395**	**2 189**	**2 189**	**1 564**	**57 467**	**--**	**440**	**2 182**	**2 180**	**155 703**	**672**	**672**
Non-current interest-bearing loans and borrowings	-31 132	--	--	--	-51 082	--	--	--	--	-69 517	--	--
Deferred tax liability	-2 947	--	--	--	-2 888	--	--	--	--	-13 256	--	--
Current interest bearing loans and borrowings	--	--	--	--	--	--	--	--	--	-479	--	--
Current income tax liabilites	--	-11	-10	--	-9	--	--	-11	-11	-716	--	--
Trade and other payables	-2 626	-119	-120	-1 761	-1 488	--	--	-119	-119	-8 010	--	-27
Identifiable acquired liabilities	**-36 705**	**-130**	**-130**	**-1 761**	**-55 467**	**--**	**--**	**-130**	**-130**	**-91 978**	**--**	**-27**
Net ident.assets of subsidiary acquired	**2 690**	**2 059**	**2 059**	**-197**	**2 000**	**--**	**440**	**2 052**	**2 050**	**63 725**	**672**	**645**
Consideration paid	**2 690**	**50 000**	**2 000**	**1 600**	**2 000**	*****	**513**	**2 000**	**2 000**	**63 725**	**672**	**672**
Goodwill / (bargain purchase)	**--**	**47 941**	**-59**	**1 797**	**--**	**--**	**73**	**-52**	**-50**	**--**	**--**	**27**
Cash and cash equivalents acquired	**1 322**	**1**	**1**	**38**	**100**	**--**	**--**	**1**	**1**	**10 678**	**672**	**672**
Cash outflow	**1 368**	**49 999**	**1 999**	**1 562**	**1 900**	**--**	**513**	**1 999**	**1 999**	**53 047**	**--**	**--**
Post-acquisition profit/ (loss)	**5 201**	**-2 617**	**-334**	**-267**	**-2 680**	**-2 339**	**1 794**	**-10 495**	**-3 963**	**-1 104**	**-90**	**-679**

* consideration paid for 100% share in CPI Finance Ireland amounted to CZK 49. The share capital was increased by TCZK 9 000 000 by the issue of new shares on 28 April 2011

** On 20 April 2011 the share capital has increased by TCZK 47 915

in thousand Czech crowns (TCZK)

Other acquisitions (continued)

	Kerina, a.s. .	LUDLOW a.s.	MAPON, a.s.	Marissa, a.s.	NERONTA, a.s.	Telč Property Development, a.s.	TRIFIT Vysoké Mýto s.r.o.	Trutnov Property Development, a.s.	Žďár Property Development, a.s.	Ždírec Property Development, a.s.
Investment property	122 300	66 344	--	--	--	19 843	206 953	162	--	--
Investment property under development	--	--	74 536	--	--	--	--	--	--	--
Property, plant and equipment	868	--	--	--	--	--	--	--	--	--
Loans provided	96 697	--	--	1 989	--	1 980	--	1 980	1 979	1 980
Current income tax receivables	--	--	--	--	--	--	433	--	--	--
Trade and other receivables	422	750	11	212	--	207	2 998	204	7 204	199
Cash and cash equivalents	162	469	1 952	1	672	4	10 044	1	15	1
Identifiable acquired assets	**220 449**	**67 563**	**76 499**	**2 202**	**672**	**22 034**	**220 428**	**2 347**	**9 198**	**2 180**
Non-current interest-bearing loans and borrowings	-177 249	-25 105	--	--	--	-17 988	-65 661	--	-7 250	--
Other non-current liabilities	--	--	--	--	--	--	-819	--	--	--
Deferred tax liability	-10 734	-7 904	-14 162	--	--	-478	-24 065	--	--	--
Current interest bearing loans and borrowings	-9 517	--	--	--	--	--	-75	--	--	--
Current income tax liabilites	--	--	--	-12	--	--	--	-11	--	-11
Trade and other payables	-20 845	-119	-205	-125	-27	-3 568	-22 464	-282	-1 562	-119
Provisions	-104	-10	--	--	--	--	--	--	--	--
Identifiable acquired liabilities	**-218 449**	**-33 138**	**-14 367**	**-137**	**-27**	**-22 034**	**-113 084**	**-293**	**-8 812**	**-130**
Net ident.assets of subsidiary acquired	**2 000**	**34 425**	**62 132**	**2 065**	**645**	**--**	**107 344**	**2 054**	**386**	**2 050**
Consideration paid	**2 000**	**34 425**	**62 132**	**2 000**	**672**	*****	**107 344**	**2 000**	**500**	**2 000**
Goodwill / (bargain purchase)	**--**	**--**	**--**	**-65**	**27**	**--**	**--**	**-54**	**114**	**-50**
Cash and cash equivalents acquired	**162**	**469**	**1 952**	**1**	**672**	**4**	**10 044**	**1**	**15**	**1**
Cash outflow	**1 838**	**33 956**	**60 180**	**1 999**	**--**	**-4**	**97 300**	**1 999**	**485**	**1 999**
Post-acquisition profit/ (loss)	**13 856**	**-65**	**-18 296**	**-1 764**	**-39 048**	**-224**	**521**	**-200**	**-7 578**	**3 176**

*** consideration paid for 100% share in Telč Property Development, a.s. amounted to CZK 1.

in thousand Czech crowns (TCZK)

The following table summarizes total assets and liabilities acquired with respect of Group'acquisitions in 2011 per geographical segments.

	Czech Republic	Slovak Republic	Other Europe	Total
Investment property	12 821 847	2 954 935	--	15 776 782
Investment property under development	617 850	--	--	617 850
Property, plant and equipment	7 236	--	--	7 236
Intangible assets	215	--	--	215
Loans provided	242 863	414 940	--	657 803
Current income tax receivables	2 209	--	--	2 209
Trade and other receivables	160 658	36 619	440	197 717
Cash and cash equivalents	415 615	58 079	--	473 694
Identifiable acquired assets	**14 268 493**	**3 464 573**	**440**	**17 733 506**
Non-current interest-bearing loans and borrowings	-7 888 283	-1 087 403	--	-8 975 686
Other non-current liabilities	-38 659	-15 331	--	-53 990
Deferred tax liability	-968 366	-344 406	--	-1 312 772
Current interest bearing loans and borrowings	-404 724	-1 040 045	--	-1 444 769
Current income tax liabilites	-16 069	--	--	-16 069
Trade and other payables	-496 369	-53 690	--	-550 059
Provisions	-999	--	--	-999
Identifiable acquired liabilities	**-9 813 469**	**-2 540 875**	**--**	**-12 354 344**
Net ident.assets of subsidiary acquired	**4 455 024**	**923 698**	**440**	**5 379 162**
Consideration paid	**4 502 749**	**925 549**	**513**	**5 428 811**
Goodwill / (bargain purchase)	**47 725**	**1 851**	**73**	**49 649**
Cash and cash equivalents acquired	**415 615**	**58 079**	**--**	**473 694**
Cash outflow	**4 087 134**	**867 470**	**513**	**4 955 117**
Post-acquisition profit/ (loss)	**592 823**	**-33 072**	**-545**	**559 206**

Goodwill of TCZK 49 979 arisen on acquisitions was fully impaired and recognized within other expenses (note 5.11). Gain on bargain purchase of TCZK 330 is recognized within other income (note 5.10). Total cash outflows resulting from the acquisition amounted to TCZK 4 955 117. (out of TCZK 197 282 resulting from the acquisition of joint-ventures). For the payables from acquisitions refer to Note 6.16.

(b) Acquisition of non-controlling interests

CPI - Bor, a.s.

On 4 January 2011, the Group acquired remaining 20% interest of the voting shares of CPI - Bor, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 30 000 was settled with the receivables due to the non-controlling interest shareholders from 2010. The carrying value of the net assets of CPI - Bor, a.s. at the acquisition date was TCZK 157 310 and the carrying value of the additional interest acquired was TCZK 31 461. The difference of TCZK 1 461 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

Březiněves, a.s.

On 1 March 2011, the Group acquired an additional 0,55% interest in Březiněves, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 300 was paid to the non-controlling interest shareholders. The carrying value of the additional interest acquired at the acquisition date was TCZK -19. The difference of TCZK 319 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

in thousand Czech crowns (TCZK)

3.5 Acquisitions of subsidiaries and associates in 2010

Entity/ subgroup	Date of acquisition	Acquired share
ABIGAIL, a.s.	22 December 2010	100,00%
Baumarkt České Budějovice s.r.o.	8 December 2010	100,00%
CPI - Land Development, a.s.	7 October 2010	100,00%
CPI - Orlová, a.s.	31 December 2010	100,00%
CPI Hotels Properties, a.s.	22 December 2010	100,00%
Graciana, a.s.	1 December 2010	100,00%
Vigano, a.s.	1 December 2010	100,00%
Lockhart, a.s.	2 September 2010	100,00%
C KAPITAL INWEST a.s./RLRE TELLMER Property s.r.o. (1)	18 June 2010	100,00%
IGY České Budějovice, s.r.o.	8 November 2010	100,00%
Farhan, a.s.	1 November 2010	100,00%
Office Center Stodůlky DELTA a.s.	21 December 2010	100,00%
Malerba, a.s., subgroup (2)	31 December 2010	100,00%
VT Holding, a.s., subgroup (3)	31 December 2010	50,00%

(1) including subsidiary HAINES s.r.o.

RLRE Tellmer Property s.r.o. was acquired in October 2010. Subsequently RLRE TELLMER Property s.r.o. ceased to exist based on the merger project with CPI BYTY, a.s. with effective day 1 July 2010. RLRE TELLMER Property s.r.o. owned portfolio of rental flats in Litvinov. The portfolio was rented out to HAINES s.r.o. that operated as service company. After acquisition, the contract between RLRE TELLMER Property s.r.o. and HAINES s.r.o. was cancelled, RLRE TELLMER Property s.r.o. was merged to CPI BYTY, a.s., C KAPITAL INWEST a.s. and HAINES s.r.o. were sold out of the Group. As a result of above described operations the respective acquisitions were treated as one business combination.

(2) including the following subsidiaries:

- Český Těšín Property Development, a.s.
- EMDEEN, a.s.
- Betonstav spol. s r.o.
- ISTROFINAL TV, s. r. o.
- Komárno Property Development, a.s.
- Liptovský Mikuláš Property Development, a.s.
- MB Property Development, a.s.
- Michalovce Property Development, a.s.
- Modřanská Investment, s.r.o.
- Modřanská Property, a.s.
- Nymburk Property Development, a.s.
- OC Nová Zdaboř, a.s.
- Považská Bystrica Property Development, a.s.
- Prievidza Property Development, a.s.
- Ružomberok Property Development, a.s.
- Třinec Property Development, a.s.
- TSB, s.r.o.
- Zvolen Property Development, a.s.

(3) including subsidiary 4B Property, s.r.o.

in thousand Czech crowns (TCZK)

The fair value of the identifiable assets and liabilities at the date of acquisitions included in the table above was as follows:

	ABIGAIL, a.s.	Baumarkt České Budějovice s.r.o.	IGY České Budějovice, s.r.o.	CPI - Land Development, a.s.	CPI - Orlová, a.s.	CPI Hotels Properties, a.s.	Farhan, a.s.	Lockhart, a.s.	Office Center Stodůlky DELTA a.s.	Graciana, a.s.	Vigano, a.s.	Malerba, a.s. subgroup	C KAPITAL INWEST a.s. + RLRE Tellmer Property, s.r.o.	Total
Investment property	--	446 963	1 324 400	1 920 900	36 962	430 000	--	--	1 810 513	--	353 600	5 661 883	874 298	12 859 519
Investment property under development	--	--	--	--	--	--	--	--	--	60 560	--	--	--	60 560
Property, plant and equipment	--	--	400	109	--	--	--	--	2 345	5 876	6 367	203	92	15 392
Intangible assets	--	2 502	--	--	--	--	--	--	--	--	--	27	--	2 529
Loans provided	--	--	--	--	2 002	--	2 126	1 980	--	--	20 951	412 536	266 113	705 708
Trading property - inventories	--	--	--	--	--	--	--	--	--	--	--	49	--	49
Current income tax receivables	--	--	--	--	--	--	--	--	--	--	--	6	--	6
Trade and other receivables	11	4 704	23 293	326	209	--	--	140	76 345	2 459	9 936	790 806	108 919	1 017 148
Cash and cash equivalents	689	20 894	60 684	743	2	--	--	--	74 945	35	58 240	51 267	22 313	289 812
Identifiable acquired assets	**700**	**475 063**	**1 408 777**	**1 922 078**	**39 175**	**430 000**	**2 126**	**2 120**	**1 964 148**	**68 930**	**449 094**	**6 916 777**	**1 271 735**	**14 950 723**
Interest-bearing loans and borrowings	-37	-376 887	-411 537	-300 512	-44 161	--	--	--	-1 560 480	-55 449	-565 011	-4 730 557	-603 178	-8 647 809
Other non-current liabilities	--	--	-12 605	--	--	--	--	--	-10 436	--	--	-5 620	--	-28 661
Deferred tax liability	--	-19 027	-157 076	-269 108	--	-15 601	--	--	-79 306	-1 019	-58 884	-422 944	-128 164	-1 151 129
Overdrafts	--	-7	--	--	--	-1	--	--	--	--	--	--	--	-8
Current income tax liabilites	--	-1 895	-2 608	--	--	--	-4	-2	--	--	-4 271	-16 725	-5 301	-30 806
Trade and other payables	--	-3 702	-39 176	-13 209	-563	-1 696	-106	-107	-43 176	-7 270	-5 329	-486 698	-94 233	-695 265
Provisions	--	--	--	-41	--	--	--	--	-400	--	--	-161		-602
Identifiable acquired liabilities	**-37**	**-401 518**	**-623 002**	**-582 870**	**-44 724**	**-17 298**	**-110**	**-109**	**-1 693 798**	**-63 738**	**-633 495**	**-5 662 705**	**-830 876**	**-10 554 280**
Net identifiable assets of subsidiary acquired	**663**	**73 545**	**785 775**	**1 339 208**	**-5 549**	**412 702**	**2 016**	**2 011**	**270 350**	**5 192**	**-184 401**	**1 254 072**	**440 859**	**4 396 443**
Consideration paid	**695**	**72 206**	**787 475**	**1 500 000**	**2 000**	**150 000**	**2 000**	**12 000**	**274 864**	**2 000**	**2 000**	**100 000**	**511 607**	**3 416 847**
Goodwill / (bargain purchase)	**32**	**-1 339**	**1 700**	**160 792**	**7 549**	**-262 702**	**-16**	**9 989**	**4 514**	**-3 192**	**186 401**	**-1 154 072**	**70 748**	**-979 596**
Cash effect of acquisition (cash outflow/-cash inflow)	**6**	**51 312**	**726 791**	**1 499 257**	**1 998**	**150 000**	**2 000**	**12 000**	**199 919**	**1 965**	**-56 240**	**48 733**	**489 294**	**3 127 035**

in thousand Czech crowns (TCZK)

3.6 Disposals of subsidiaries in 2010

In 2010, the Group sold the following entities:

Entity	Date of sale
C KAPITAL INWEST a.s.	1 December 2010
CPI - Horoměřice, a.s.	22 December 2010
CPI - Residential, a.s.	22 December 2010
CPI Slovakia, a.s.	22 December 2010
Družstvo Reality "v likvidaci"	1 December 2010
GRANDHOTEL ZLATÝ LEV a.s.	1 December 2010
Hotel SPV Alfa a.s.	1 December 2010
Krč Property Development, a.s. "v likvidaci"	1 December 2010
Novegro, a.s.	30 November 2010
První MAC spol. s r.o.	1 December 2010
RealCore s.r.o.	22 December 2010
Statenice Property Development, a.s.	12 July 2010

For effect of disposals in 2010 refer to note 5.7.

4 Segment reporting

4.1 Business segments

For investment property, discrete financial information is provided to the Board of Directors, which is the chief operating decision maker, on a property by property basis. The information provided is income from rental activities, net rentals (including gross rent and property expenses), valuations gains/losses, impairment of assets and result from operating activities. In addition interest income and expense with total finance result are monitored on property level.

The individual properties are aggregated into segments with similar economic characteristics.

The Group is considered to have nine reportable operating segments, as follows:

- Retail - acquires, develops and leases shopping malls
- Office– acquires, develops and leases offices
- Logistics - acquires, develops and leases warehouses and factories
- Residential– rents and sells residential property
- Land bank – acquires lands for further Group' utilization
- Mixture – includes properties with combined utilization (e.g. retail and office premises)
- Hotels - acquires, develops and leases hotels to operators
- Investment property under development - includes all development activities and related land plots in accordance with accounting policy in note 2.2(d)
- Other – primarily includes service and financing entities

4.2 Geographical segments

The Company is incorporated in the Czech Republic. The Group primarily operates in the Czech Republic and Slovak Republic and has subsidiaries in Ireland, Netherlands and Cyprus. These subsidiaries are presented within "Other Europe" segment.

In presenting information on geographical segments, revenue is based on the geographical location of property. Segment assets are based on the geographical location of the assets.

in thousand Czech crowns (TCZK)

Operating segments

	Retail		*Office*		*Residential*		*Industry and logistics*		*Hotels*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Segment income from rental activities	769 496	142 883	334 879	13 573	441 743	371 631	98 669	7 275	149 644	156 720
Net rental and service related income	745 991	127 601	326 882	12 559	46 193	247 333	83 496	3 558	127 541	124 750
Net valuation gain/(loss) on inv. property	163 385	-82 366	484 016	5 461	303 796	387 280	56 219	-2 123	26 244	-149 008
Results from operating activities	**760 443**	**1 165 442**	**729 592**	**-322**	**313 281**	**1 046 926**	**106 264**	**-689**	**162 583**	**41 265**
Interest income	67 188	37 041	791	138	93 275	80 436	5 118	237	27 735	11 123
Interest expense	-397 042	-23 827	-203 267	-6 866	-150 705	-111 344	-75 862	-79	-89 010	-69 978
Net finance income/ (expense)	**-406 942**	**13 010**	**-214 051**	**-24 317**	**-59 407**	**-24 259**	**-91 804**	**117**	**-62 333**	**-64 379**
Income tax income/ (expense)	-95 839	139	-120 978	-2 277	-59 304	-47 974	-11 452	-511	-5 819	-18 178
Profit/(loss) for the period	**257 662**	**1 197 467**	**394 563**	**-26 916**	**194 570**	**974 693**	**3 008**	**-1 083**	**94 431**	**-41 292**

Operating segments (continued)

	Land bank		*Other*		*Mixture*		*Investment property under development*		*Eliminations*		*Total Consolidated*	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Segment income from rental activities	3 343	1 844	15 843	14 886	100 095	16 893	308	72	-8 116	-7 120	1 905 904	718 657
Net rental and service related income	906	-4 844	270 986	86 906	80 791	17 658	-11 711	-1 169	-238 296	-67 716	1 432 779	546 636
Net valuation gain/(loss) on inv. property	57 037	-117 946	7 713	9 569	--	--	202 411	-22 058	--	--	1 300 821	28 809
Results from operating activities	**120 467**	**-497 461**	**-81 929**	**-324 003**	**58 776**	**4 858**	**168 837**	**-26 538**	**--**	**--**	**2 338 314**	**1 409 478**
Interest income	1 428	3 548	541 200	265 200	2 821	129	1 916	1 834	-547 580	-209 291	193 892	190 395
Interest expense	-31 465	-24 180	-474 583	-385 742	-89 905	-9 158	-45 571	-11 680	547 580	209 398	-1 009 830	-433 456
Net finance income/ (expense)	**-30 458**	**-23 770**	**175 807**	**594 500**	**-45 403**	**-22 630**	**-59 954**	**-9 829**	**--**	**-696 000**	**-794 545**	**-257 557**
Income tax income/ (expense)	-25 437	14 459	-24 727	-4 447	-20 497	-1 832	-36 507	7 117	--	--	-400 560	-53 504
Profit/(loss) for the period	**64 572**	**-506 772**	**69 151**	**265 640**	**-7 124**	**-19 602**	**72 376**	**-29 250**	**--**	**-696 000**	**1 143 209**	**1 116 885**

in thousand Czech crowns (TCZK)

Operating segments

	Retail		Office		Residential		Industry and logistics		Hotels	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment assets	18 140 460	10 607 410	11 006 368	2 783 958	10 085 949	9 807 762	3 420 201	28 445	3 311 233	2 915 112
Segment liabilities	15 582 537	8 690 911	10 420 068	2 810 874	5 152 076	5 207 768	3 303 149	9 038	2 243 490	2 663 548
Segment net assets	**2 557 923**	**1 916 499**	**586 300**	**-26 916**	**4 933 873**	**4 599 994**	**117 052**	**19 407**	**1 067 743**	**251 564**
Capital expenditure	**242 518**	**33 302**	**893 784**	**719 831**	**13 762**	**--**	**3**	**70**	**19 266**	**50 430**

Operating segments (continued)

	Land bank		Other		Mixture		Investment property under development		Eliminations		Total Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment assets	3 904 880	1 315 201	42 321 461	20 422 746	2 332 251	1 433 243	2 106 003	1 191 513	-39 357 681	-10 664 166	57 271 125	39 841 224
Segment liabilities	1 140 857	1 326 680	38 583 011	14 695 145	2 115 326	1 452 845	2 085 439	1 053 074	-39 353 500	-10 670 022	41 272 453	27 239 861
Segment net assets	**2 764 023**	**-11 479**	**3 738 450**	**5 727 601**	**216 925**	**-19 602**	**20 564**	**138 439**	**-4 181**	**5 856**	**15 998 672**	**12 601 363**
Capital expenditure	**3 014**	**7 983**	**31 346**	**2 364**	**1 871**	**--**	**746 876**	**377 544**	**--**	**--**	**1 952 440**	**1 191 524**

Geographical segments

in TCZK	Czech Republic		Slovak Republic		Other Europe		Eliminations		Total consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment income from rental activities	1 664 763	725 777	249 257	--	--	--	-8 116	-7 120	1 905 904	718 657
Total assets netto (excl. subs share)	66 175 682	49 268 632	6 074 199	1 238 416	24 378 925	-1 658	-39 357 681	-10 664 166	57 271 125	39 841 224

in thousand Czech crowns (TCZK)

5 Consolidated statement of comprehensive income

5.1 Gross rental and service income

	2011	2010
Rental income	1 905 904	718 657
Facility management	4 229	973
Advisory and accounting services	34 294	40 276
Other services	9 141	16 213
Service income	**47 664**	**57 462**
Total gross rental and service income	**1 953 568**	**776 119**

The significant increase in rental income resulted from significant expansion of the Group in 2011 and in December 2010.

Rental income was influenced especially by Malerba, a.s. subgroup (TCZK 357 255), OLYMPIA Mlada Boleslav s.r.o. and OLYMPIA Teplice s.r.o. (TCZK 80 059) and Auto - priemyselný park, s.r.o. Lozorno (TCZK 66 890).

Rental income is derived from a large number of tenants and no single tenant or group of tenants contribute more than 10% to the Group’s rental income.

5.2 Net service charge income

	2011	2010
Service charge income	238 571	79 498
Service charge expenses	-233 836	-70 744
Total	**4 735**	**8 754**

Significant increase in volume of service charge income and expenses resulted from corresponding increase in rental activity.

5.3 Property operating expenses

	2011	2010
Repairs and maintenance (1)	-328 181	-74 497
Utility services for vacant premises	-63 904	-46 963
Personnel expenses	-56 453	-40 374
Facility management	-16 268	-13 707
Real estate tax	-18 656	-7 773
Letting fee, other fees paid to real estate agents	-12 230	-472
Property insurance expenses	-9 574	-6 003
Lease expenses	-2 292	-2 272
Depreciation and amortisation expense	-2 696	-8 579
Other expenses	-15 270	-37 597
Total property operating expenses	**-525 524**	**-238 237**

in thousand Czech crowns (TCZK)

Utility services for vacant premises

	2011	2010
Material consumption (2)	-7 095	-15 405
Energy consumption	-39 941	-23 221
Waste management	-6 852	-758
Security services	-5 401	-3 134
Cleaning services	-4 615	-4 445
Total utility services for vacant premises	**-63 904**	**-46 963**

Personnel expenses

	2011	2010
Wages and salaries	-41 491	-29 442
Social and health security contributions	-14 143	-9 653
Other social expenses	-819	-1 279
Total personnell expenses	**-56 453**	**-40 374**

(1) Repairs and maintenance expenses in 2011 are mainly attributable to renovation of current residential portfolio.

(2) Decrease in material consumptions is mainly attributable to modifications of tenant premises perfomed in 2011.

in thousand Czech crowns (TCZK)

5.4 Net valuation gain on investment property

	2011	2010
Valuation gains		
Office	484 016	5 461
Retail	178 595	19 165
Industry and logistics	56 219	--
Residential	303 796	387 480
Land bank	62 658	93 472
Mixture	--	--
Hotels	74 832	12 548
Investment property under development	240 421	--
Other	7 713	9 569
Total valuation gains	**1 408 250**	**527 695**
Valuation losses		
Office	--	--
Retail	-15 210	-101 531
Industry and logistics	--	-2 123
Residential	--	-200
Land bank	-5 621	-211 418
Mixture	--	--
Hotels	-48 588	-161 556
Investment property under development	- 38 010	-22 058
Other	--	--
Total valuation losses	**-107 429**	**-498 886**
Net valuation gain	**1 300 821**	**28 809**

in thousand Czech crowns (TCZK)

5.5 Net result on disposal of investment property

	2011	2010
Proceeds from disposal of investment property	141 654	148 998
Carrying value of investment property disposed and related cost	-133 345	-160 943
Total gain / (loss) on the disposal of investment property	**8 309**	**-11 945**

Disposals of investment property in 2011 represent primarily sale of appartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s.

5.6 Net result on disposal of trading property – inventories

	2011	2 010
Proceeds from disposal of trading property	102 787	55 989
Carrying value of trading property disposed and related cost	-36 021	-41 656
Total gain on disposal of trading property	**66 766**	**14 333**

The disposal of trading property in 2011 represents primarily the sale of the land plots in Prague.

in thousand Czech crowns (TCZK)

5.7 Net result on disposal of the financial investment in subsidiaries and associates

During 2011 there were no sales of subsidiaries out of the Group.

Gain on the disposal of subsidiaries in 2010

	2010
Proceeds from disposal of subsidiaries	
C KAPITAL INWEST a.s.	100
CPI - Horoměřice, a.s.	26 120
CPI - Residential, a.s.	26 844
CPI Slovakia, a.s.	28 240
Družstvo Reality "v likvidaci"	87
GRANDHOTEL ZLATÝ LEV a.s.	1 939
Hotel SPV Alfa a.s.	1 966
Krč Property Development, a.s. "v likvidaci"	325
Novegro, a.s.	2 043
První MAC spol. s r.o.	100
RealCore s.r.o.	2 407
Statenice Property Development, a.s.	451 280
Total proceeds from disposal of subsidiaries	**541 451**
Carrying value of subsidiary and related cost to sell	
C KAPITAL INWEST a.s.	-53 045
CPI - Horoměřice, a.s.	35 115
CPI - Residential, a.s.	16 959
CPI Slovakia, a.s.	27 050
Družstvo Reality "v likvidaci"	668
GRANDHOTEL ZLATÝ LEV a.s.	1 918
Hotel SPV Alfa a.s.	1 938
Krč Property Development, a.s. "v likvidaci"	425
Novegro, a.s.	2 042
První MAC spol. s r.o.	-35 005
RealCore s.r.o.	29 097
Statenice Property Development, a.s.	417 319
Total carrying value of subsidiaries disposed and related cost to sell	**444 481**
Net gain / (loss) on the disposal of subsidiaries	
C KAPITAL INWEST a.s.	53 145
CPI - Horoměřice, a.s.	-8 995
CPI - Residential, a.s.	9 885
CPI Slovakia, a.s.	1 190
Družstvo Reality "v likvidaci"	-581
GRANDHOTEL ZLATÝ LEV a.s.	21
Hotel SPV Alfa a.s.	28
Krč Property Development, a.s. "v likvidaci"	-100
Novegro, a.s.	1
První MAC spol. s r.o.	35 105
RealCore s.r.o.	-26 690
Statenice Property Development, a.s.	33 961
Total gain on the disposal of subsidiaries	**96 970**

in thousand Czech crowns (TCZK)

The following table shows effect of subsidiaries disposals in 2010:

	C KAPITAL INWEST a.s.	CPI - Horoměřice, a.s.	CPI - Residential, a.s.	CPI Slovakia, a.s.	Družstvo Reality "v likvidaci"	GRANDHOTEL ZLATÝ LEV a.s.	Hotel SPV Alfa a.s.	Krč Property Development, a.s. "v likvidaci"	Novegro, a.s.	První MAC spol. s r.o.	RealCore s.r.o.	Statenice Property Development, a.s.	Total
Investment property	--	3 669	--	--	--	--	--	--	--	--	--	453 088	456 757
Property, plant and equipment	1 899	--	--	449	--	--	--	--	--	--	--	23 413	25 761
Intangible assets	--	--	--	--	--	--	--	--	--	--	--	--	--
Loans provided	245 624	--	--	--	--	735	1 980	--	951	2 302	31 456	--	283 048
Trading property - inventories	--	--	25 854	73 160	--	--	--	--	--	--	--	--	99 014
Deferred tax assets	--	--	--	991	--	--	--	--	--	--	--	--	991
Trade and other receivables	70 957	38 122	6 131	6 213	1 400	1 315	--	350	25	--	3 463	1	127 977
Cash and cash equivalents	20 902	39	2	11 482	6	15	22	75	1 070	--	--	2	33 615
Identifiable assets	**339 382**	**41 830**	**31 987**	**92 295**	**1 406**	**2 065**	**2 002**	**425**	**2 046**	**2 302**	**34 919**	**476 504**	**1 027 163**
Interest-bearing loans and borrowings	-288 533	-4 000	-4 289	-61 949	-738	--	-20	--	--	-1 872	--	-22 443	-383 844
Other non-current liabilities	--	--	-397	-4	--	--	--	--	--	--	--	--	-401
Deferred tax liability	--	--	-874	--	--	--	--	--	--	--	--	--	-874
Trade and other payables	-103 894	-2 715	-9 305	-3 157	--	-147	-44	--	-4	-35 435	-5 345	-36 366	-196 412
Provisions	--	--	-163	-135	--	--	--	--		--	-477	--	-775
Identifiable liabilities	**-392 427**	**-6 715**	**-15 028**	**-65 245**	**-738**	**-147**	**-64**	**--**	**-4**	**-37 307**	**-5 822**	**-58 809**	**-582 306**
Net identifiable assets total	**-53 045**	**35 115**	**16 959**	**27 050**	**668**	**1 918**	**1 938**	**425**	**2 042**	**-35 005**	**29 097**	**417 695**	**444 857**
Ownership interest	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	99,91%	
Net identifiable assets sold	-53 045	35 115	16 959	27 050	668	1 918	1 938	425	2 042	-35 005	29 097	417 319	444 481
Related cost to sell	--	--	--	--	--	--	--	--	--	--	--	--	--
Total carrying value of subsidiaries sold and related cost to sell	**-53 045**	**35 115**	**16 959**	**27 050**	**668**	**1 918**	**1 938**	**425**	**2 042**	**-35 005**	**29 097**	**417 319**	**444 481**
Sales price	100	26 120	26 844	28 240	87	1 939	1 966	325	2 043	100	2 407	451 280	541 451
Net gain / (loss) on disposal of subsidiary	**53 145**	**-8 995**	**9 885**	**1 190**	**-581**	**21**	**28**	**-100**	**1**	**35 105**	**-26 690**	**33 961**	**96 970**

in thousand Czech crowns (TCZK)

5.8 Net result on the disposal of equity-accounted investees

	2011	2 010
Proceeds from disposal of equity-accounted investees		
M.T.J. Consulting, a.s. (1)	--	2 380
Total proceeds from disposal of equity-accounted investees	--	**2 380**
Carrying value of equity - accounted investees + cost to sell		
M.T.J. Consulting, a.s. - 50% share (1)	--	1 946
Total carrying value of equity-accounted investees and related cost to sell	**--**	**1 946**
Net gain on the disposal of equity-accounted investees		
M.T.J. Consulting, a.s. (1)	--	434
Total gain on the disposal of equity-accounted investees	**--**	**434**

(1) including subsidiary P.V. Trading cz s.r.o.

5.9 Administrative expenses

	2011	2010
Material consumption	-5 518	-3 863
Energy consumption	-258	-1 232
Repairs and maintenance	-3 745	-2 777
Representation expenses	-3 540	-625
Telecommunication fees	-5 094	-2 618
Legal services	-25 727	-35 439
Accounting and other services - based on mandate contracts	-2 491	-619
Audit, tax and advisory services (1)+(2)+(4)	-133 534	-28 632
Advertising expenses	-5 180	-1 840
Lease expenses	-73	-388
Wages and salaries – administrative part (3)	-64 136	-30 286
Social and health security contributions - administrative part (3)	-15 622	-9 525
Other social expenses - administrative part (3)	-1 436	-879
Depreciation and amortisation expense	-7 889	-6 042
Other insurance expenses	-1 573	-1 118
Rental	-33 993	-31 392
Other administrative expenses	-26 009	-18 917
Total administrative expenses	**-335 818**	**-176 192**

(1) In 2011, audit, tax and advisory services services include one-off acquisition costs related to the acquisitions described in note 3.4 in the total amount of TCZK 116 104 (2010 – TCZK 9 178).

(2) Audit and advisory expenses also include the cost of services provided by the Group's auditor of TCZK 7 018 (2010 – TCZK 5 324), of which:

- Fees related to audit of consolidated financial statements of the Group amount to TCZK 6 125 (2010 – TCZK 3 862).
- Fees for other services provided by the Group's auditor total TCZK 893 (2010 – TCZK 1 462).

(3) Increase in administrative personnel expenses reflects the Group's expansion in 2011.

(4) Fees paid to investment property valuators represent TCZK 2 569 (2010 – TCZK 3 035).

in thousand Czech crowns (TCZK)

5.10 Other income

	2011	2010
Gain on bargain purchase relating to business combinations	330	1 421 321
Gain on assignment of receivables	--	555
Income from penalties	3 194	4 172
Insurance claims	1 412	1 768
Other income	18 256	8 732
Total other income	**23 192**	**1 436 548**

(1) Gain on bargain purchase relating to business combinations in 2010 primarily related to acquisition of Malerba, a.s. subgroup with total positive effect of TCZK 1 154 072 and CPI Hotels Properties, a.s. of TCZK 262 702. For detail of business combinations refer to note 3.4.

(2) "Other income" comprise income of TCZK 9 970 relating to land acquired based on court decision in 2011.

5.11 Other expenses

	2011	2010
Goodwill written off (1)	-49 979	-441 725
Change in provisions (refer to note 6.17)	-20 332	-793
Compensations paid to tenants (2)	--	-14 336
Impairment of assets (-) / Reversal of impairment (+) of assets (3)	-52 400	-21 213
Taxes and fees	-4 207	-833
Penalties	-16 426	-11 853
Gifts	-5 544	-591
Tax non deductible VAT	-3 677	-1 332
Other expenses	-5 264	-23 370
Total other expenses	-157 829	-516 046

(1) Goodwill writte off in 2011 primarily relates to acquisition of Bageleot, a.s. (TCZK -47 941). For detail of business combinations refer to note 3.4. Goodwill writte off in 2010 is mainly attributable to acquisition of Vigano, a.s. (TCZK -186 401), CPI - Land Development, a.s. (TCZK -160 792) and C KAPITAL INWEST a.s./RLRE TELLMER Property s.r.o. (TCZK -70 748).

(2) No compensations to tenants were paid in 2011.

(3) As a result of the annual impairment test carried out in accordance with relevant accounting policies, the Group decided to charge through the statement of comprehensive income impairment of assets described in the table below:

in thousand Czech crowns (TCZK)

Impairment of assets (-) / Reversal of impairment (+) of assets

	2011	2010
Impairment / reversal of impairment of property, plant and equipment	-1 375	418
Impairment of trading property	--	-1 141
Impairment of trade receivables (1)	-55 466	-21 732
Reversal of impairment of other receivables (1)	4 441	1 242
Total	**-52 400**	**-21 213**

(1) Impairment losses on trade and other receivables include bad debt provisions and gain or loss related to receivables writte offs.

5.12 Finance income

	2011	2010
Bank interest income	2 691	755
Interest income on bonds (1)	33 952	13 190
Interest income on loans and receivables	157 249	176 450
Net foreign exchange gain (2)	149 258	--
Gain on revaluation of financial derivatives (3)	52 943	1 605
Other finance income	16 822	21 072
Total finance income	**412 915**	**213 072**

(1) Increase in Interest income on bonds primarily relates to bonds issued by ISTROKAPITAL CZ a.s. (refer to note 6.6). The Group acquired these bonds in July 2010 and sold in December 2011.

(2) Net foreign exchange gain includes realised as well as unrealised foreign exchange gains and losses. Total net gain of TCZK 149 258 (2010 – loss TCZK 15 908) was also positively influenced by hedge accounting applied in 2011 as described in note 6.11.

(3) Gain on revaluation of financial derivatives relates to revaluation of interest rate swaps recognized at fair value as described in note 6.14.

5.13 Finance costs

	2011	2010
Interest expense related to bank and non-bank loans (1)	-805 431	-270 617
Interest expense on bonds issued (2)	-60 445	-54 341
Interest expense related to finance leases (3)	-40 669	-611
Interest expense on other non-current liabilities	-103 285	-107 887
Net foreign exchange loss	--	-15 908
Loss on revaluation of financial derivatives	-142 428	-8 362
Ineffective portion of changes in fair value of cash flow hedges	-12 001	--
Bank charges (4)	-43 039	-7 109
Other finance cost	-162	-5 794
Total finance cost	**-1 207 460**	**-470 629**

(1) Significant increase relates to interest-bearing loans drawn by subsidiaries acquired by the Group in 2011.

in thousand Czech crowns (TCZK)

(2) Increase in interest on bonds is mainly relating to new bonds issued by CPI Finance Netherlands B.V. in 2011 (refer to note 6.13)

(3) Significant increase in finance lease interest paid is mainly attributable to finance lease contracts held by subsidiaries acquired in December 2010.

(4) Increase in bank charges relates primarily to arrangements of new loan facilities.

5.14 Taxation

Income tax expense recognised in profit and loss

	2011	2010
Current income tax expense		
Current year	-160 186	-32 383
Adjustment for prior years	-689	149
Total	**-160 875**	**-32 234**
Deferred income tax expense		
Origination and reversal of temporary differences	-260 242	-19 724
Effect of foreign exchange rates fluctuation	-13 230	--
Recognition (derecognition) of tax losses	33 787	-1 546
Total	**-239 685**	**-21 270**
Income tax expense from continuing operations recognised in profit or loss	**-400 560**	**-53 504**
Total income tax expense recognised in profit or loss	**-400 560**	**-53 504**

Reconciliation of effective tax rate

	2011	2010
Profit for the period	1 143 209	1 116 885
Total income tax expense recognised in profit or loss	-400 560	-53 504
Profit before income tax	**1 543 769**	**1 170 389**
Nominal corporate income tax rate	19%	19%
Income tax expense using the nominal corporate income tax rate	-293 316	-222 374
Effect of tax rates in foreign jurisdictions	-4 410	--
Non-deductible expense	-124 427	-176 118
Tax exempt income	58 555	353 424
Income tax adjustment for prior years	-689	-8 687
Other tax allowable credits	-202	26 594
Changes in unrecognized deferred tax asset	-33 386	2 554
Change in the permanent tax differences	-699	-26 369
Other effects	-1 986	-2 528
Income tax expense recognized in profit or loss	**-400 560**	**-53 504**

in thousand Czech crowns (TCZK)

Current income tax liability

The current income tax liability of TCZK 109 195 (2010 – TCZK 75 758) represents the amount of income tax to be paid in respect of current and prior periods.

Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Investment property	--	--	-4 236 522	-2 606 680	-4 236 522	-2 606 680
Property, plant and equipment	9 636	905	--	--	9 636	905
Intangible assets	15	--	--	-1 382	15	-1 382
Trading property	--	--	--	-2 833	--	-2 833
Interest-bearing loans and borrowings	172 284	124 832	--	--	172 284	124 832
Trade and other receivables	42 691	38 295	--	--	42 691	38 295
Trade and other payables	--	10 613	-3 432	--	-3 432	10 613
Provisions	--	--	-13 944	-3 248	-13 944	-3 248
Other items	13 688	--	--	--	13 688	--
Tax losses carried-forward	65 773	36 679	--	--	65 773	36 679
Gross deferred tax assets/(liabilities)	**304 087**	**211 324**	**-4 253 898**	**-2 614 143**	**-3 949 811**	**-2 402 819**
Set-off of tax	**--**	**--**	**--**	**--**	**--**	**--**
Net deferred tax assets/(liabilities)	**304 087**	**211 324**	**-4 253 898**	**-2 614 143**	**-3 949 811**	**-2 402 819**

Unrecognized deferred tax assets

Deferred tax assets were not recognized with respect following items:

	2011	**2010**
Trade and other receivables	2 006	1 788
Tax losses carried-forward	141 410	86 208
Unrecognized deferred tax assets	**143 416**	**87 996**

in thousand Czech crowns (TCZK)

Movements in the temporary differences during the years 2011 and 2010

	Balance at 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Disposals out of the Group	Change in consolidation method (Note 6.1)	Balance at 31 December 2011
Investment property	-2 606 680	-268 192	-25 740	-1 305 939	--	-29 971	-4 236 522
Property, plant and equipment	905	8 731	--	--	--	--	9 636
Intangible assets	-1 382	1 397	--	--	--	--	15
Trading property	-2 833	2 833	--	--	--	--	--
Interest-bearing loans and borrowings	124 832	34 683	--	--	--	12 769	172 284
Trade and other receivables	38 295	1 305	--	--	--	3 091	42 691
Trade and other payables	10 613	-14 045	--	--	--	--	-3 432
Provisions	-3 248	-3 863	--	-6 833	--	--	-13 944
Other items	--	-28 793	42 481	--	--	--	13 688
Tax losses carried-forward	36 679	26 259	2 835	--	--	--	65 773
Total	**-2 402 819**	**-239 685**	**19 576**	**-1 312 772**	**--**	**-14 111**	**-3 949 811**

	Balance at 1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Disposals out of the Group	Other (specify)	Balance at 31 December 2010
Investment property	-1 230 001	-21 090	--	-1 355 706	117	--	-2 606 680
Property, plant and equipment	1 473	-568	--	--	--	--	905
Intangible assets	-800	-541	--	-41	--	--	-1 382
Trading property	-3 147	-560	--	--	874	--	-2 833
Interest-bearing loans and borrowings	1 460	-5 394	--	128 766	--	--	124 832
Trade and other receivables	10 660	2 201	--	26 558	-1 124	--	38 295
Trade and other payables	-9 974	7 922	--	12 665	--	--	10 613
Provisions	26	-3 290	--	--	16	--	-3 248
Tax losses carried-forward	--	50	--	36 629	--	--	36 679
Total	**-1 230 303**	**-21 270**	**--**	**-1 151 129**	**-117**	**--**	**-2 402 819**

in thousand Czech crowns (TCZK)

6 Consolidated statement of financial position

6.1 Investment property

2011

	Industry and logistics	Retail	Office	Residential	Mixture	Hotels	Other	Land bank	Total
Balance at 1 January 2011	**61 321**	**7 248 956**	**3 218 613**	**6 669 762**	**1 324 400**	**2 753 966**	**401 884**	**3 681 833**	**25 360 735**
Acquisitions through business combinations	2 431 574	7 435 674	5 712 240	--	--	122 300	55 151	19 843	15 776 782
Acquisitions which were not business combinations	--	--	884 632	--	--	--	--	--	884 632
Transfer from / (to) investment property under development	--	311 289	--	--	778 936	-442 150	--	--	648 075
Other additions	3	242 517	9 152	13 762	1 871	19 266	686	3 014	290 271
Transfer from trading property - inventories	--	--	--	--	--	--	--	5 779	5 779
Transfer from / (to) property, plant and equipment	5 475	7 253	2 345	2 587	400	37 334	-357	76 583	131 620
Effect of change in cons. method (Note 3.2)	--	162 359	--	--	--	--	--	--	162 359
Disposals	-3	-3 745	--	-121 357	--	--	--	-2 495	-127 600
Other transfers	--	2 502	--	--	--	--	--	--	2 502
Valuation gain – Note 5.4	56 219	163 385	484 016	303 796	--	26 244	7 713	57 037	1 098 410
Effect of movements in exchange rates	126 744	149 932	42 590	--	67 974	--	--	--	387 240
Balance at 31 December 2011	**2 681 333**	**15 720 122**	**10 353 588**	**6 868 550**	**2 173 581**	**2 516 960**	**465 077**	**3 841 594**	**44 620 805**

in thousand Czech crowns (TCZK)

2010

	Logistics	Retail	Office	Residential	Mixture	Hotels	Other	Land bank	Total
Balance at 1 January 2010	63 374	1 872 439	--	5 534 696	--	2 068 944	392 315	2 304 483	12 236 251
Acquisitions through business combinations	--	5 426 038	2 493 321	874 298	1 324 400	783 600	--	1 957 862	12 859 519
Acquisitions which were not business combinations	--	--	719 831	--	--	50 430	--	7 983	778 244
Other additions	70	33 302	--	--	--	--	--	--	33 372
Transfer from property, plant and equipment	--	--	--	--	--	--	--	13 208	13 208
Disposals	--	-267	--	-126 512	--	--	--	-483 757	-610 536
Valuation gain / (loss) – Note 5.4	-2 123	-82 366	5 461	387 280	--	-149 008	9 569	-117 946	50 867
Effect of movements in exchange rates	--	-190	--	--	--	--	--	--	-190
Balance at 31 December 2010	**61 321**	**7 248 956**	**3 218 613**	**6 669 762**	**1 324 400**	**2 753 966**	**401 884**	**3 681 833**	**25 360 735**

Acquisitions through business combinations

In 2011 the Group has acquired investment property in total value of TCZK 15 776 782. (refer to note 3.4). The most significant items were acquired through following business combinations:

- Acquisition of "Office Stars" Group with 7 entities holding a portfolio of 19 office buildings (122 000 sqm of fully let office premises) in Czech Republic in total value of TCZK 5 645 896 (office segment).
- Acquisition of CPI - City Park Jihlava, a.s. (formerly CEI Buiding, a.s.) - the regional shopping centre City Park Jihlava (25,000 sqm of retail space) of TCZK 2 442 087 (retail segment).
- Acquisition of Auto - priemyselný park, s.r.o. Lozorno including its subsidiary A/L SK Office 2 s.r.o. The entity holds Lozorno industrial zone near Bratislava (Slovakia), one of the largest automotive parks in Central Europe, with five industrial halls and combined leasable area of 118,000 sqm in total value of TCZK 2 038 817 (industry and logistics segment).
- Acquisition of "REAL4YOU" Group holding 14 retail properties in the Czech Republic and Slovakia including a chain of Penny Market stores and FamilyCentres retail parks with a combined area of 50,000 sqm in total value of TCZK 1 565 351 (retail segment).
- Acquisition of OLYMPIA Teplice s.r.o. - shopping centre Olympia Teplice (32,000 sqm of retail space) of TCZK 1 501 362 (retail segment).
- Acquisition of OLYMPIA Mladá Boleslav s.r.o. - shopping centre Olympia Mladá Boleslav (22,000 sqm of retail space) of TCZK 1 211 491 (retail segment).

In 2010 the Group has acquired investment property in total value of TCZK 12 859 519. (refer to note 3.5). The most significant items were acquired through following business combinations:

- Acquisition of Malerba, a.s. group (including 18 subsidiaries) holding a portfolio of 26 buildings (150 894 sqm) in Czech Republic and Slovakia in total value of TCZK 5 661 883 (retail segment).
- Acquisition of CPI – Land Development, a.s. – land in Northwest Bohemia (11 411 302 sqm) of TCZK 1 920 900 (land bank segment).
- Acquisition of Office Center Stodůlky DELTA a.s. holding 4 office buildings in Prague, Stodůlky (21 000 sqm of office premises) of TCZK 1 810 513 (office segment).
- Acquisition of IGY České Budějovice, s.r.o. - shopping centre IGY České Budějovice (16 100 sqm of retail space and 4 554 sqm of office space) of TCZK 1 324 400 (mixture segment).
- Acquisition of RLRE TELLMER Property s.r.o. - residential portfolio of rental flats in Litvínov (2 686 flats) of TCZK 874 298 (residential segment).

Acquisitions of investment property projects

The Group has purchased the former Živnostenská banka building (TCZK 884 632) in Prague city centre at Na Příkopě street in 2011. The former Živnostenská banka building was built between 1894 and 1896. The office building consists of three parts with a total area of over 19,000 sqm.

In 2010, the Group acquired Longin Center Building (TCZK 717 698) in Prague.

Transfer from investment property under development

In 2011 the Group has completed administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.) and Retail Park Beroun (Beroun Property Development, a.s.) and consequently transferred the completed property in total value of TCZK 1 090 225 from investment property under development to investment property (of which TCZK 778 936 to Mixture segment and TCZK 311 289 to Retail segment).

Transfer to investment property under development

Early in 2011 the Group has started reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.) and development of multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) resulting in transfer of investment property of TCZK 442 150 from investment property in hotel segment to investment property under development.

Other additions

The most significant item of other additions in 2011 relate to extension of Retail park in Považská Bystrica (Považská Bystrica Investments, s.r.o.) and in Šumperk (Horova Immo s.r.o.)

Transfer from property, plant and equipment

In accordance with accounting policies applied, the Group re-assesed the use of certain items of property, plant and equipment and changed their classification from owner-occupied to investment property. In 2011, total value of reclassified property amounted to TCZK 131 620 (2010 – TCZK 13 208). No gain or loss arose on the re-measurement of the respective property.

Effect of change in consolidation method

As a result of change in control of related projects, VT Holding, a.s. and its subsidiary 4B Property, s.r.o. are classified and consolidated as joint-ventures since 1 January 2011 (equity-accounted investees at 31 December 2010). Refer also to Note 3.2. Therefore, the respective investment property of TCZK 162 359 was included in consolidated financial statements of the Group.

Disposals

Disposals in 2011 comprise mainly sales of appartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. to current tenants in total carrying value of TCZK 121 357 (2010: TCZK 126 512). In 2010, disposals comprised also sale of land from VM Property Development, a.s. - OC Velke Mezirici in total carrying value of TCZK 27 000. For further information refer to Note 5.5.

Further the disposals in 2010 in segment Land bank included in the above table represent mainly the disposal of investment property as a result of the sale of 100% stake in Statenice Property Development, a.s. (TCZK 453 088). For further information refer to Note 5.7.

Effect of movements in foreign exchange rates

Foreign exchange rate differences related to investment property arise in connection with translation of financial information of subsidiaries having EUR as functional currency to presentation currency of consolidated financial statements (CZK) as a result of fluctuations in FX rate EUR/CZK.

Leased investment properties

Investment properties at an aggregate value of TCZK 2 340 000 at 31 December 2011 (2010 – TCZK 1 707 964) are held under long-term lease arrangements, which expire at varying dates between 2030 and 2033.

For liabilities related to leased investment properties refer to note 6.12.

Pledged investment properties

The Group has pledged 108 (2010: 35) properties to secure the interest-bearing debt facilities granted to the Group. The 108 properties had a combined valuation of TCZK 42 116 424 as at 31 December 2011 (2010 – TCZK 23 442 009).

in thousand Czech crowns (TCZK)

6.2 Investment property under development

2011

	Total
Balance at 1 January 2011	**952 097**
Acquisitions through business combinations	617 850
Tranfer to investment property	-648 075
Additions	746 876
Transfer from property, plant and equipment	35 230
Disposals	-313
Valuation gain – Note 5.4	202 411
Balance at 31 December 2011	**1 906 076**

2010

	Total
Balance at 1 January 2010	**536 051**
Acquisitions through business combinations	60 560
Additions	377 544
Valuation loss – Note 5.4	-22 058
Balance at 31 December 2010	**952 097**

Acquisitions through business combinations

In 2011 the Group has acquired through business combinations investment property under development in total value of TCZK 617 850 (refer to note 3.4). The property was acquired through acquisition of 50% stake in COPA Centrum Národní, s.r.o. (TCZK 543 314) and acquisition of 100% stake in MAPON, a.s. (TCZK 74 536).

In 2010 the Group acquired through acquisition of Graciana, a.s. investment property under development in total value of TCZK 60 560. (refer to note 3.5).

Transfer to investment property

In 2011 the Group completed administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.) and Retail Park Beroun (Beroun Property Development, a.s.) and consequently transferred the completed property in total value of TCZK1 090 225 to investment property (of which TCZK 778 936 to Mixture segment and TCZK 311 289 to Retail segment).

Transfer from investment property

Early in 2011 the Group has started reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.) and development of multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) resulting in transfer of investment property of TCZK 442 150 from investment property in hotel segment to investment property under development.

in thousand Czech crowns (TCZK)

Additions

Additions in 2011 relate to development of administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.), Retail Park Beroun (Beroun Property Development, a.s.) and multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) and to reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.).

Additions in 2010 related to development of administrative and hotel complex CPI City Center Ústí nad Labem in entity Hraničář, a.s.

Investment property under development includes capitalised borrowing costs of TCZK 3 453 (2010 - TCZK 21 038).

6.3 Property, plant and equipment

2011

	Plant and equipment	Finance leases	Property under construction	Advances paid	Other	Total
Cost						
Balance at 1 January 2011	93 558	23 686	129 303	29 917	2 117	278 581
Acquisitions through business combinations	--	--	--	5 568	1 668	7 236
Additions	2 700	20 142	5 706	15 087	--	43 635
Disposals	-883	-834	-2 144	-1 074	--	-4 935
Transfer to investment property and investment property under development	-84 143	--	-110 942	--	--	-195 085
Balance at 31 December 2011	**11 232**	**42 994**	**21 923**	**49 498**	**3 785**	**129 432**
Accumulated depreciation and impairment losses						
Balance at 1 January 2011	32 163	14 066	20 821	16 136	--	83 186
Accumulated depreciation for the period	1 688	6 447	--	--	--	8 135
Impairment loss	--	--	1 102	273	--	1 375
Disposals	-575	-536	--	--	--	-1 111
Transfer to investment property and investment property under development	-28 235	--	--	--	--	-28 235
Balance at 31 December 2011	5 041	19 977	21 923	16 409	--	63 350
Carrying amounts						
At 31 December 2010	**61 395**	**9 620**	**108 482**	**13 781**	**2 117**	**195 395**
At 31 December 2011	**6 191**	**23 017**	**--**	**33 089**	**3 785**	**66 082**

in thousand Czech crowns (TCZK)

2010

	Property, plant and equipment	Finance leases	Property under construction	Advances paid	Other	Total
Cost						
Balance at 1 January 2010	91 932	19 096	154 286	35 823	2 117	303 254
Acquisitions through business combinations	92	--	15 300	--	--	15 392
Additions	4 382	5 064	25 876	6 658	--	41 980
Disposals	-2 848	-474	-52 951	-12 564	--	-68 837
Transfer to investment property	--	--	-13 208	--	--	-13 208
Balance at 31 December 2010	93 558	23 686	129 303	29 917	2 117	278 581
Accumulated depreciation and impairment losses						
Balance at 1 January 2010	24 634	10 091	21 311	16 136	--	72 172
Depreciation for the period	8 904	3 976	--	--	--	12 880
Impairment loss/ (reversal of impairment loss)	72	--	-490	--	--	-418
Disposals	-1 447	-1	--	--	--	-1 448
Balance at 31 December 2010	32 163	14 066	20 821	16 136	--	83 186
Carrying amounts						
At 31 December 2009	**67 298**	**9 005**	**132 975**	**19 687**	**2 117**	**231 082**
At 31 December 2010	**61 395**	**9 620**	**108 482**	**13 781**	**2 117**	**195 395**

Additions

In 2011, additions are mainly attributable to transport vehicles acquired by CPI Services, a.s. under finance lease.

Project documentation related to prepared project near Ústí nad Labem (CPI - Krásné Březno, a.s.) represents the most significant addition in 2010. In 2011 the project documentation was reclassified to investment property as described in following paragraph.

Transfer from/ to investment property

In accordance with accounting policies applied, the Group re-assesed the use of certain items of property, plant and equipment and changed their classification from owner-occupied to investment property. In 2011, total carrying value of reclassified property amounted to TCZK 131 620 (2010 – TCZK 13 208). No gain or loss arose on the re-measurement of the respective property.

Disposals 2010

In 2010, disposals are mainly attributable to development cost written off due to unrealised and cancelled project

In 2010, disposals out of the Group were mainly attributable to the sale of 100% stake in Statenice Property Development, a.s. For further information refer to Note 5.7.

In connection with annual impairment test, the Group charged an impairment of TCZK 1 375 to profit or loss on property, plant and equipment (2010 – impairment loss reversal of TCZK 418). For further information refer to Note 5.11.

in thousand Czech crowns (TCZK)

6.4 Intangible assets

2011

	Software	Other	Total
Cost			
Balance at 1 January 2011	**17 066**	**2 502**	**19 568**
Acquisition through business combinations	215	--	215
Additions	1 912	--	1 912
Transfer to investment property	--	-2 502	-2 502
Balance at 31 December 2011	19 193	--	19 193
Amortisation and impairment losses			
Balance at 1 January 2011	6 908	--	6 908
Amortisation for the period	2 450	--	2 450
Balance at 31 December 2011	9 358	--	9 358
Carrying amounts			
At 31 December 2010	**10 158**	**2 502**	**12 660**
At 31 December 2011	**9 835**	**--**	**9 835**

2010

	Software	Other	Total
Cost			
Balance at 1 January 2010	14 979	--	14 979
Acquisition through business combinations	27	2 502	2 529
Additions	2 060	--	2 060
Balance at 31 December 2010	17 066	2 502	19 568
Amortisation and impairment losses			
Balance at 1 January 2010	5 167	--	5 167
Amortisation for the period	1 741	--	1 741
Balance at 31 December 2010	6 908	--	6 908
Carrying amounts			
At 31 December 2010	**9 812**	**--**	**9 812**
At 31 December 2010	**10 158**	**2 502**	**12 660**

6.5 Equity accounted investees

	Ownership interest		Value of equity-accounted investees	
	2011	**2010**	**2011**	**2010**
VT Holding, a.s. (1)	--	50%	--	19 876

(1) VT Holding, a.s. and its subsidiary (4B Property, s.r.o.) were classified as associates and consolidated as equity-accounted investees at 31 December 2010. As a result of change in control of related projects, the entities are classified and consolidated as joint-ventures since 1 January 2011 (refer also to Note 3.2).

in thousand Czech crowns (TCZK)

Share of the equity-accounted investees as of 31 December	**Carrying values as at 31 December 2010**	
	VT Holding, a.s. (1)	**M.T.J. Consulting, a.s. (2,3)**
Investment property	324 718	--
Other non-current assets	11 979	--
Current assets	11 243	--
	347 940	--
Deferred tax liability	28 222	--
Other non-current liabilities	199 748	--
Current liabilities	80 219	--
	308 189	--
Net assets	**39 751**	**--**
Group's share of net assets	**19 876**	**--**
Gross rental income	--	881
Property operating expenses	--	-1 608
Net valuation gain / (loss) on investment property	--	--
Other income	37 752	1 328
Other expenses	--	-780
Net finance income / (costs)	--	-640
Profit before income tax	37 752	-819
Income tax income / (expense)		
Profit for the period	37 752	-819
Group's share of profit/ (loss)	**18 876**	**-410**

(1) including its subsidiary 4B Property, s.r.o.
(2) including its subsidiary P.V. Trading cz s.r.o.
(3) sold out of the Group in 2010 (refer to note 5.8)

6.6 Other investments

Non-current investments

The Group has following equity investments with the ownership interest not exceeding 10%.

	2011	**2010**
Vodovody a kanalizace Přerov, a.s. (share 1,60%)	6 782	6 782
Vodovody a kanalizace Hodonín, a.s. (share 1,99%)	4 614	4 614
COOP Centrum Družstvo*	300	300
STRM Delta a.s. (share 0,07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	--
Total	11 766	11 746

*information was not available as of the date of financial statements

The Group obtained dividends of TCZK 48 (2010 – 0 TCZK) from Vodovody a kanalizace Hodonín, a.s. in 2011.

in thousand Czech crowns (TCZK)

Current investments

	2011	2010
Bonds (incl. accrued aliquot interest)	--	301 625
Total	--	301 625

In 2010, current investments included bonds issued by ISTROKAPITAL CZ a.s. of TCZK 301 625. Bonds bear fixed interest of 10% per annum and mature on 10 December 2016.

The bonds were sold in December 2011. Total proceeds from the sale amounted to TCZK 303 066, carrying value of bonds sold including aliquot interest was TCZK 303 227. Loss on the sale of TCZK 161 is dislosed within “Other finance costs” (refer to note 5.13).

6.7 Loans provided

	2011	2011	2010	2010
	Balance	**Average interest rate**	**Balance**	**Average interest rate**
Non-current loans provided				
Loans provided to related parties	--	--	1 861	2,10%
Loans provided to joint ventures/associates	266 452	6,56%	47 500	5,00%
Loans provided – third parties	481 873	5,61%	3 870 991	5,39%
Total	**748 325**		**3 920 352**	

	2011	2011	2010	2010
	Balance	**Average interest rate**	**Balance**	**Average interest rate**
Current loans provided				
Loans provided to related parties	3 612	1,82%	1 664	1,75%
Loans provided to joint ventures/associates	8 535	5,56%	1 131	5,00%
Loans provided – third parties	1 240 895	7,30%	556 987	7,20%
Total	**1 253 042**		**559 782**	

Balances of non-current loans include loan principal and unpaid non-current interest. Balances of current loans include loan principal, unpaid interest related to current loans and current portion of unpaid interest related to non-current loans.

The Group provides 54 non-current loans to third parties (2010 – 59) with interest rates between 3,15% and 10% (2010 – between 2,10% and 10%) and 20 current loans to third parties (2010 – 19) with interest rate between 1,05% and 20,53% (2010 – between 2,10% and 10%).

Significant decrease in loans provided to third parties primarily reflects approach of management of the group to its financial management applied in 2011.

in thousand Czech crowns (TCZK)

The maturity of non-current loans provided to third parties and joint ventures at 31 December 2011 and as at 31 December 2010 was as follows:

2011

	1-2 years	2-5 years	>5years	Total
Loans provided to joint ventures/associates	--	24 905	241 547	266 452
Loans provided – third parties	25 236	366 613	90 024	481 873

2010

	1-2 years	2-5 years	>5years	Total
Loans provided to joint ventures/associates	--	47 500	--	47 500
Loans provided – third parties	698 840	2 213 971	958 180	3 870 991

6.8 Trading property

	2011	2010
Projects and property for resale	--	27 545
Projects under development	6 587	11 259
Other inventory	50	49
Total	**6 637**	**38 853**

As at 31 December 2011, trading property includes mainly project of Jižní stráň (Březiněves, a.s.) and Letňany (BPT Development, a.s.)

in thousand Czech crowns (TCZK)

6.9 Trade and other receivables

Non-current

	2011	2010
Receivables acquired through assignment (1)	587 374	--
Receivables from retention (2)	28 920	30 495
Advances paid for financial investments (3)	5 000	33 000
Other receivables due from related parties	--	19 939
Other receivables due from third parties	83	38 694
Total non-current receivables	**621 377**	**122 128**
Impairment to other receivables due from third parties	--	3 694
Total trade and other receivables net of impairment	**621 377**	**118 434**

(1) On 30 November 2011, the Group concluded an agreement on assignment of receivables from both third and related parties and acquired receivables that are due on 27 January 2015.

The acquisition price equals to the nominal value of the receivables. The purpose of the transaction is optimization and concentration of portfolio of receivables due from third parties. Receivables are unsecured.

(2) Receivable from retention relates to acquisition of subsidiary Farhan, a.s. (successor company of Office Center Stodůlky DELTA a.s.)

(3) Advances paid for financial investments as of 31 December 2010 included prepayment of TCZK 30 000 for 20% share in CPI - Bor, a.s. On 4 January 2011, the Group acquired remaining 20% interest of the voting shares of CPI - Bor, a.s., increasing its ownership interest to 100%. Acquisition price of TCZK 30 000 was settled from advance paid for the purchase price (refer to note 3.4)

in thousand Czech crowns (TCZK)

Current

	2011	2010
Trade receivables due from third parties (1)	1 106 860	850 346
Trade receivables due from related parties	1 974	5 703
Trade receivables due from joint ventures / associates	2 396	263
Receivables acquired through assignment (2)	1 369 547	389 550
Receivables from sale of subsidiaries (3)	1 309 614	3 160 217
Receivables from sale of receivables (4)	2 354 437	2 306 388
Advances paid (5)	188 563	147 174
Prepaid expenses (6)	139 889	82 993
Value added tax receivables	40 979	753
Other receivables due from third parties	149 139	31 565
Other receivables due from related parties	6 777	206 817
Total current receivables	**6 670 175**	**7 181 769**
Impairment to trade receivables due from third parties (7)	318 210	266 301
Impairment to other receivables due from third parties	42 692	47 141
Total impairment to current receivables	**360 902**	**313 442**
Total trade and other receivables net of impairment	**6 309 273**	**6 868 327**

(1) Trade receivables due from third parties represent primarily trade receivables from tenants of TCZK 723 515 (2010: TCZK 686 599) and receivables from invoicing of utilities of TCZK 253 627 (2010: TCZK 208 373). Receivables from invoicing of utilities will be settled against Advances received from tenants when final amount of utilities consumption and respective invoicing is known.

(2) On 13 June 2011, the Group concluded an agreement on assignment of receivables and acquired receivables to both third and related parties in the amount of TCZK 1 143 672 that are due on 12 June 2012.

The acquisition price equals to the nominal value of the receivables. The purpose of the transaction is optimization and concentration of portfolio of receivables due from third parties. Receivables are unsecured.

(3) Receivables from sale of subsidiaries as at 31 December 2011 comprise mainly receivable of TCZK 1 011 746 from the sale of Best Properties South, a.s. out of the Group in 2009. The receivables is due on 30 April 2012 (refer also to note 10 Subsequent events).

(4) Receivables from sale of receivables comprise mainly receivable of TCZK 1 527 254 from Best Properties South, a.s. sold to the third party. The receivables is due on 30 April 2012 (refer also to note 10 Subsequent events).

(5) Advances paid represent advances for utilities paid by the Group for which final invoice has not been received from utility providers.

(6) Increase in Prepaid expenses represents mainly prepaid rent and relates primarily to new acquisitions in 2011.

(7) Increase in impairment to trade receivables is mainly attributable to trade receivables of CPI BYTY, a.s., operating residential investment property portfolio.

in thousand Czech crowns (TCZK)

6.10 Cash and cash equivalents

	2011	2010
Bank balances	1 400 031	1 227 245
Cash on hand	13 789	42 773
Total	**1 413 820**	**1 270 018**

All cash and cash equivalents are payable on demand except restricted cash of TCZK 228 292 (2010 – TCZK 106 418).

6.11 Equity

Changes in equity

The consolidated statement of changes in equity is presented on the face of the consolidated financial statements.

Share capital and share premium

pcs	Ordinary shares	
	2011	**2010**
Issued at 1 January	3 866 873	1 366 873
New shares issued and paid in the year	1 668 302	2 500 000
Issued at 31 December	**5 535 175**	**3 866 873**

The subscribed capital of the Company as at 31 December 2011 was TCZK 4 428 140 (2010 – TCZK 3 093 498), comprising 5 535 175 shares (2010 – 3 866 873 shares), each with a nominal value of CZK 800 (2010 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up.

In 2011, there was a subscription of new shares and increase in the capital of the Company by TCZK 1 457 442, of which share capital in nominal value by TCZK 1 334 642 and share premium by TCZK 122 800. Subsequently, receivable from subscription was set-off with liabilities to shareholder recorded in the Company's books.

Other capital funds

Increase in other capital funds by TCZK 1 000 000 is attributable to cash contribution paid by the sole shareholder in 2011.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency.

Legal reserve

Under Czech legislation, in the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of share capital) to the legal reserve. In subsequent years, the legal reserve is allocated a minimum 5% of profit after tax determined under Czech accounting standards until the legal reserve reaches 20% of share capital. The legal reserve can only be used to cover accumulated losses.

Total allocation from Group's statutory profits under Czech accounting principles represents TCZK 5 543 (2010 – TCZK 14 917).

Hedging reserve

Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate. Refer to note 6.14

As at 1 January 2011 the Group decided to apply hedge accounting in respect of foreign currency risks and selected interest rate swaps. The hedging reserve includes effective portion of the fair value of hedging instruments designated as a cash flow hedge in accordance with accounting policy Financial Instruments, part (iv). Ineffective portion of cash flow hedges represents part of finance costs. For detailed information refet to note 5.13.

Other changes in equity

Change in non-controlling interest without change in control recognized directly in equity relates to acquisition of 20% interest in CPI - Bor, a.s. (TCZK 1 461) and 0.55% share in Březiněves, a.s. (TCZK 319). For detailed information refer to note 3.4.

in thousand Czech crowns (TCZK)

Earnings per share

Basic earnings per share in 2011

Profit attributable to ordinary shareholders

	Continuing operations	Discontinued operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2011	1 143 275	--	1 143 275
Net profit attributable to ordinary shareholders	1 143 275	--	1 143 275

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
Earnings per share 2011 (CZK)			**287,50**

Diluted earnings per share in 2011

Profit attributable to ordinary shareholders (diluted)

	Continuing operations	Discontinued operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2011	1 143 275	--	1 143 275
Net profit attributable to ordinary shareholders	1 143 275	--	1 143 275

Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
Diluted earnings per share 2011 (CZK)			**287,50**

in thousand Czech crowns (TCZK)

Basic earnings per share in 2010

Profit attributable to ordinary shareholders

	Continuing operations	Discontinued operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2010	1 116 082	2	1 116 084
Net profit attributable to ordinary shareholders	**1 116 082**	**2**	**1 116 084**

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2010	1 366 873	1,0000	1 366 873
New shares issued (2 February 2010)	625 000	0,9123	570 205
New shares issued (23 November 2010)	1 875 000	0,1041	195 205
Issued ordinary shares at 31 December 2010	3 866 873		2 132 283
Weighted aver. number of ordinary shares at 31 December 2010			2 132 283
Earnings per share 2011 (CZK)			**523,42**

Diluted earnings per share in 2010

Profit attributable to ordinary shareholders (diluted)

	Continuing operations	Discontinued operations	Total
Net profit/(loss) attributable to ordinary shareholders for the year ended 31 December 2010	1 116 082	2	1 116 084
Net profit/(loss) attributable to ordinary shareholders	**1 116 082**	**2**	**1 116 084**

Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2010	1 366 873	1,0000	1 366 873
New shares issued (2 February 2010)	625 000	0,9123	570 205
New shares issued (23 November 2010)	1 875 000	0,1041	195 205
Issued ordinary shares at 31 December 2010	3 866 873		2 132 283
Weighted aver. number of ordinary shares at 31 December 2010			2 132 283
Diluted earnings per share 2011 (CZK)			**523,42**

in thousand Czech crowns (TCZK)

6.12 Interest-bearing loans and borrowings

Non-current

	2011	2010
Loans from related parties	191 556	180 961
Loans from third parties	1 081 614	905 308
Bank loans (1)	17 032 402	9 886 641
Finance lease liabilities (2)	1 176 822	976 692
Bills of exchange	25 655	--
Total	19 508 049	11 949 602

Current

	2011	2010
Loans from related parties	44 779	132 305
Loans from third parties	1 933 841	2 190 947
Bank loans (1)	4 380 108	604 393
Finance lease liabilities (2)	91 385	69 327
Bills of exchange	17 381	--
Total	6 467 494	2 996 972

(1) Increase in bank loans is mainly attributable to subsidiaries acquired in 2011 above all to “Office Stars” Group (TCZK 4 107 370), Auto - priemyselný park, s.r.o. Lozorno (TCZK 1 333 317), CPI - City Park Jihlava, a.s. (TCZK 1 292 378), “REAL4YOU” Group (TCZK 1 303 003) (refer also to note 3.4).

At 31 December 2011 the Group draws 59 (31 December 2010 - 35) bank loan facilities from 15 (31 December 2010 – 11) banks.

With respect of bank loans the Group has pledged the following assets:

Investment property

The Group has pledged 108 (2010: 35) properties to secure the interest-bearing debt facilities granted to the Group. The 108 properties had a combined valuation of TCZK 42 116 424 as at 31 December 2011 (2010 – TCZK 23 442 009).

Trade receivables

Total nominal amount of pledged receivables represents TCZK 759 442 at 31 December 2011 (2010 – TCZK 536 069)

Bank accounts

Total amount of pledged bank accounts represents TCZK 1 068 203 at 31 December 2011 (2010 – TCZK 471 992)

Shares of the subsidiaries

Považská Bystrica Investments, s.r.o., AB BHV spol. s r.o., Bageleot, a.s., Balvinder, a.s., SHEMAR INVESTMENTS LIMITED, Baumarkt České Budějovice s.r.o., CB Property Development, a.s., Farhan, a.s., Lockhart, a.s., Komárno Investments, s.r.o., Beroun Property Development, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI – Real Estate, a.s., CPI BYTY, a.s., Hraničář, a.s., Náchod Investments, s.r.o., Chrudim Investments, s.r.o., Kerina, a.s., Komura, a.s., BRILLIANT VARIETY s.r.o., České Těšín Property Development, a.s., Komárno Property Development, a.s., Liptovský Mikuláš Property Development, a.s., Michalovce Property Development, a.s., Modřanská Property, a.s., Nymburk property Development, a.s., OC Nová Zdaboř, a.s., Považská Bystrica Property Development, a.s., Prievidza Property Development, a.s., Ružomberok Property Development, a.s., Třinec Property Development, a.s., Zvolen Property Development, a.s., HERTONE, a.s., Auto – priemyselný park, s.r.o. Lozorno, A/L SK Office 2 s.r.o., Marissa Alfa, a.s., OLYMPIA Teplice s.r.o., Marissa Beta, a.s., OLYMPIA Mladá Boleslav s.r.o., Office Star Fourteen, spol. s r.o., COPA Centrum Národní, s.r.o., Marissa Ksí, a.s., CPI – City Park Jihlava, a.s., Office Star Four, spol. s r.o., Office Star One, spol. s r.o., Office Star Seven, spol. s r.o., Office Star Ten, spol. s r.o., Office Star Thirteen, spol. s r.o., Office Star Three, spol. s r.o., NERONTA, a.s., MUXUM, a.s., Svitavy Property Alfa, a.s., DOREK Vysoké Mýto, a.s., Dunajská Streda Investments, s.r.o., U Svatého Michala, a.s., Vigano, a.s. Vyškov Property Development, a.s and Ždírec Property Development, a.s.

in thousand Czech crowns (TCZK)

(2) The Group acquired certain leasehold property classified as investment property. The leases are accounted for as finance leases. Contractual interest rates are based on EURIBOR/PRIBOR plus margins.

Maturity analysis of loans from third parties and bank loans is as follows:

2011

	< 1 year	1-5 years	>5years	Total
Loans from third parties	1 933 841	492 300	589 314	3 015 455
Bank loans	4 380 108	8 175 638	8 856 764	21 412 510
Total	**6 313 949**	**8 667 938**	**9 446 078**	**24 427 965**

2010

	< 1 year	1-5 years	>5years	Total
Loans from third parties	2 190 947	388 169	517 139	3 096 255
Bank loans	604 393	5 037 477	4 849 164	10 491 034
Total	**2 795 340**	**5 425 646**	**5 366 303**	**13 587 289**

Finance lease liabilities relating to investment property as of 31 December:

2011

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Installments	129 263	517 056	918 950	1 565 269
Interest	-43 002	-135 010	-137 590	-315 602
Net present value of future finance lease installments	**86 261**	**382 046**	**781 360**	**1 249 667**

2010

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Installments	100 624	503 031	717 741	1 321 396
Interest	-34 860	-137 838	-111 339	-284 037
Net present value of future finance lease installments	**65 764**	**365 193**	**606 402**	**1 037 359**

in thousand Czech crowns (TCZK)

Finance lease liabilities relating to property, plant and equipment as of 31 December:

2011

	Payable within 1 year	Payable 1-5 years	Total payable
Installments	6 109	14 609	20 718
Interest	-985	-1 193	-2 178
Net present value of future finance lease installments	**5 124**	**13 416**	**18 540**

2010

	Payable within 1 year	Payable 1-5 years	Total payable
Installments	4 134	5 682	9 816
Interest	-571	-585	-1 156
Net present value of future finance lease installments	**3 563**	**5 097**	**8 660**

in thousand Czech crowns (TCZK)

6.13 Bonds issued

	2011		2010	
	No. of bonds issued	**Value**	**No. of bonds issued**	**Value**
Non-current liabilities				
Proceeds from issued bonds - CPI var/12 (1)	--	--	65 000	650 000
Proceeds from issued bonds - CPI 2021 (2)	1 215	2 430 000	1 214	2 428 000
Less: bonds owned by Group	-925	-1 850 000	-924	-1 848 000
Subtotal bonds - CPI 2021	290	580 000	290	580 000
Proceed from issued bonds - CPI Finance Netherlands B.V. (3)	375	3 750 000	--	--
Less: bonds owned by Group	--	--	--	--
Subtotal bonds - CPI 2021	375	3 750 000	- -	- -
Proceeds from issued bonds SPOBYT 5,25/13 (4)	25 000	250 000	25 000	250 000
Less: bonds owned by Group	-25 000	-250 000	-25 000	-250 000
Subtotal bonds - SPOBYT 5,25/13	--	--	--	--
Total non-current		**4 330 000**		**1 230 000**
Current liabilities				
Proceeds from issued bonds - CPI var/12 (1)	65 000	650 000	--	--
Accrued interest on bonds - CPI 2021		50 598		41 924
Accrued interest on bonds - CPI var/12		6 313		6 328
Accrued interest on bonds – CPI Finance Netherlands B. V.		8 181		--
Total current		**715 092**		**48 252**
Total		**5 045 092**		**1 278 252**

(1) CPI var/12

CPI var/12 bonds were issued on 22 March 2005 and mature on 22 March 2012. The nominal value of each bond is TCZK 10 and the total nominal value of bonds issued amounts to TCZK 650 000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI var/12, ISIN CZ0003501447). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 March 2005, reference number 45/N/7/2005/2 that came into force on 14 March 2005. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI var/12 bear the interest rate based on 6M PRIBOR + 2% margin. Interests are due semiannualy, on 22 March and 22 September respectively.

Reflecting the bonds' maturity in March 2012, the liability was reclassified to current liabilities as at 31 December 2011.

(2) CPI 2021

CPI 2021 bonds were issued on 8 February 2007. The bonds mature on 8 August 2021. The nominal value of each bond is TCZK 2 000 and the total nominal value of bonds issued amounts to TCZK 2 430 000. Bondholders outside the Group hold 290 bonds in total nominal value of TCZK 580 000. The Group could issue bonds up to maximum value of TCZK 2 500 000 (1 250 bonds with nominal value of TCZK 2 000 each).

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 2021, ISIN CZ0003501496). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 17 January 2007, reference number 45/N/175/2006/4 that came into force on 22 January 2007. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI 2021 bear the interest rate based on 6M PRIBOR + 3,5% margin. Interests are due semiannually, on 8 February and 8 August respectively.

(3) CPI Finance NL 5% 2011-2021

On 15 December 2011 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 375 bearer bonds with a nominal value of TCZK 10 000 each. The Group could issue bonds up to maximum value of TCZK 5 000 000 (500 bonds with nominal value of TCZK 10 000 each). The principal of bearer bonds is due on 15 December 2021.

Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(4) SPOBYT 5,25/13

Bonds SPOBYT 5,25/13 with the total nominal value of TCZK 250 000 due in 2013 were issued on 30 October 2003. The nominal value of each bond is TCZK 10.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is SPOBYT 5,25/13, ISIN CZ0003501363). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 October 2003, reference number 45/N/900/2003/2 that came into force on 16 October 2003. Bonds were accepted for trading at the market organized by RM-Systém a.s.

All above mentioned bonds were bought out from the holders by the original issuer – company SPOBYT, a.s. on 27 February 2007. In addition, the bonds were pledged in favour of the company Raiffeisenbank, a.s. and the rights to dispose of the bonds by issuer were limited. As a result of merger with the original issuer of the bonds (entity SPOBYT, a.s.) subsidiary CPI BYTY, a.s. became the issuer with effective date 1 January 2009.

For interest expense related to bonds issued refer to note 5.13.

in thousand Czech crowns (TCZK)

6.14 Liabilities from derivatives

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank loans.

The aggregate fair value of the interest rate swaps open at 31 December 2011 is summarized in the following table:

Non-current liabilities from derivatives

	2011	2010
Interest rate swaps used for hedging (1)	36 694	--
Other interest rate swap contracts (2)	175 358	103 580
Total	**212 052**	**103 580**

Current liabilities from derivatives

	2011	2010
Interest rate swaps used for hedging	--	--
Other interest rate swap contracts (2)	53 975	--
Total	**53 975**	--
Total liability from derivatives	**266 027**	**103 580**

(1) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of TCZK 1 020 752 (2010 – TCZK 0) whereby it pays a fixed rate interest of between 2,3% - 2,5% and receives a variable rate based on 3M EURIBOR.

The loans and interest rate swaps have the same critical terms, hedge accounting has been applied and instruments are considered as fully effective.

(2) Other interest rate swap contracts

Contracts with nominal values of TCZK 7 656 842 (2010 – TCZK 2 523 952) have fixed interest payments at an average rate of 3,429 % (2010 – 3,34%) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate this part of derivatives as hedging instruments under a fair value hedge accounting model and recognizes changes in the fair value of the derivatives in profit or loss.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

6.15 Bank overdrafts

Bank overdrafts amounted to TCZK 2 251 570 as at 31 December 2011 (2010 – TCZK 1 177 939). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions of the Group.

The outstanding balance as at 31 December 2011 was fully repaid in April 2012.

in thousand Czech crowns (TCZK)

6.16 Trade and other payables

Non-current

	2011	2010
Trade payables due to third parties	3 375	7 338
Payables from acquisitions of subsidiaries, joint-ventures and associates (1)	889 017	864 502
Rental deposits from tenants (2)	101 286	60 115
Payables from retentions	103 451	70 333
Other payables due to third parties	10 149	370
Total	**1 107 278**	**1 002 658**

Current

	2011	2010
Trade payables due to related parties	--	405
Trade payables due to third parties (3)	972 784	456 824
Advances received (4)	346 037	4 268 227
Payables due to employees, social security and health insurance, employees income tax	12 326	5 952
Advances received from tenants (5)	283 357	272 945
Payables from acquisitions of subsidiaries, joint-ventures and associates	104 323	435 559
Payables related to assignment of receivables	52 452	24 331
Payables from retentions	31 142	--
Payable from cancellation of rental contract (6)	--	250 407
Payables to owners association	46 181	46 181
Commissions	--	55 000
Deferred income/ revenue	163 398	49 831
Other payables due to related parties	190 088	100 428
Other payables due to third parties	19 326	53 762
Total	**2 221 414**	**6 019 852**

(1) Payables are due on 31 December 2017.

(2) Deposits from tenants represent payables of the Group from received rental related deposits. Its classification corresponds to terms in rental contracts with respect of the termination options of the tenants.

(3) Increase in trade payables is mainly attributable to extended investment property portfolio comparing to 2010 as well as to increased capital expenditure for investment property under development.

(4) In 2011, advances received by the Group of TCZK 3 500 000 in connection with disposals of subsidiaries in 2010 were set off with receivables from disposals of subsidiaries and with loans provided to third parties. Refer also to note 6.9.

(5) Advances received from tenants represent payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption and respective invoicing is known.

(6) Subsidiary RLRE TELLMER s.r.o. (acquired through business combination in 2010) owned portfolio of rental flats in Litvinov. The apartment portfolio was rented out to subsidiary HAINES s.r.o. (acquired through business combination in 2010 and subsequently sold out of the Group) that operated the portfolio as a service company. Subsequently, the respective rental contract was cancelled which resulted in recognition of liability to HAINES s.r.o. as third party as at 31 December 2010.

in thousand Czech crowns (TCZK)

6.17 Provisions

	2011	2010
Balance at 1 January	21 105	20 485
Provisions created in the period	36 114	3 670
Provisions used in the period	--	-323
Provisions reversed in the period	-15 782	-2 554
Provisions acquired through business combination	999	602
Disposals out of the Group	--	-775
Balance at 31 December	**42 436**	**21 105**

Analysis of total provisions	2011	2010
Non-current provisions	--	--
Current provisions	42 436	21 105
Total	**42 436**	**21 105**

Provisions created in 2011 primarily relates to the business risk related to the development activities.

6.18 Operating leases

The Group leases out its investment property under operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	2011	2010
Less than one year	2 726 852	1 286 521
Between one and five years	8 481 647	3 989 388
More than five years	7 199 004	3 409 031
Total	**18 407 503**	**8 684 940**

The rent contracts in residential portfolio mostly include the cancellation period of three months and the cancelled contracts are replaced by the new ones continuously. Rental contracts for residential portfolio are subject to successive deregulation of rentals set by the Czech legislation. The Group did not expect any significant changes regarding this portfolio of leased contracts entered into as lessor.

7 Financial risk management

Exposure to various risks arises in the normal course of the Group's business. Financial risk comprises:

- credit risk(refer to note 7.1)
- liquidity risk (refer to note 7.2)
- market risk including currency risk, interest rate risk and price risk (refer to note 7.3 and 7.4)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Supervision of the Group's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is managed on a Group level. The Group is exposed to credit risk from its rental activities (primarily for trade receivables) and from its financing activities including deposits with banks and financial institutions, loans provided to third parties and other financial instruments.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Customer credit risk is managed reflecting the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

Within the Group, management process can be divided into two areas - assessing the creditworthiness before concluding the contract and requesting the appropriate forms of security when entering into contracts or if indication of reduction in creditworthiness of the debtor for contracts already concluded. Creditworthiness of debtor being judged individually, for major contracts deposit collateral are required in the form of credit or bank guarantees amounting to between two and three months' rent. Payments for ancillary services provided are generally received in advance, thereby reducing the risk of unpaid debt.

Before granting a loan Group evaluates the creditworthiness of the borrower and the risk assessment if the loan requires collateral.

In respect of cash and cash equivalents the Group has bank accounts with prestigious banking institutions, where no risk is expected.

Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by Division managers who decide on the pre-litigious or litigious action to be taken.

The Group applies the following rules to calculate the provision for doubtful accounts:

- 50% of receivables due for more than 6 months;
- 100% of receivables due for more than 12 months.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

in thousand Czech crowns (TCZK)

The following tables present financial assets as of 31 December 2011 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk concentration at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	1 413 820	--	--	1 413 820
Trade and other receivables	3 306 900	3 262 848	360 902	6 930 650
Loans provided	1 709 756	291 611	--	2 001 367
Other investments	11 766	--	--	11 766
Total	**6 510 342**	**3 486 359**	**360 902**	**10 357 603**

Breakdown of overdue financial assets which are not impaired at 31 December 2011:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	69 157	34 236	22 059	150 650	2 986 746*	3 262 848
Loans provided	--	504	1 480	50 552	239 075	291 611
Total	**69 157**	**34 740**	**23 539**	**168 802**	**3 190 121**	**3 486 359**

* In March 2012 the Group has finalised renegotiation of payment terms for receivables in total amount of MCZK 2 539. The Group does not expect any potential losses from these receivables.

Credit risk concentration at 31 December 2010:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	1 270 018	--	--	**1 270 018**
Trade and other receivables	1 504 404	5 165 221	317 136	**6 986 761**
Loans provided	4 241 918	238 216	--	**4 480 134**
Other investments	313 371	--	--	**313 371**
Total	**7 329 711**	**5 403 437**	**317 136**	**13 050 284**

Breakdown of overdue financial assets which are not impaired at 31 December 2010:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	36 573	59 377	12 153	483 860	4 573 258	**5 165 221**
Loans provided	14 975	37	9	106 741	116 454	**238 216**
Total	**51 548**	**59 414**	**12 162**	**590 601**	**4 689 712**	**5 403 437**

in thousand Czech crowns (TCZK)

7.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's funding sources.
The Group manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Group's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.
The Group monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

Liquidity risk analysis

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Group's liabilities based on contractual maturity and includes non-derivative as well as derivate financial liabilities.

At 31 December 2011

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
Loans from related parties	236 335	--	46 700	191 312	12 413	--	250 425
Loans from third parties	3 015 455	431 878	1 587 268	159 625	186 173	937 378	3 302 322
Bank loans incl. overdrafts	21 412 510	2 633 660	4 098 005	752 243	8 166 895	10 626 606	26 277 409
Bonds issued	5 045 092	711 249	12 001	--	--	5 286 930	6 010 180
Finance lease liabilities	1 268 207	22 752	70 488	95 717	332 176	1 018 646	1 539 779
Liabilities from derivatives	266 027	--	53 975	--	206 649	5 403	266 027
Trade and other payables	3 328 692	1 575 474	482 542	24 387	167 292	1 292 619	3 542 314
Bills of exchange	43 036	17 381	--	25 655	--	--	43 036
Total	**28 271 207**	**5 392 394**	**6 350 979**	**1 248 939**	**9 071598**	**17 869 560**	**39 933 470**

in thousand Czech crowns (TCZK)

At 31 December 2010

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
Loans from related parties	312 636	--	138 259	--	213 534	--	351 793
Loans from third parties	3 096 255	876 233	1 363 498	136 714	866 222	--	3 242 667
Bank loans incl. overdrafts	11 668 973	1 258 062	538 497	2 233 642	3 175 139	6 589 547	13 794 887
Bonds issued	1 278 252	30 636	18 546	--	--	1 556 196	1 605 378
Finance lease liabilities	1 046 019	15 548	55 268	74 819	327 961	717 740	1 191 336
Liabilities from derivatives	103 580	--	103 580	--	--	--	103 580
Trade and other payables	7 022 510	5 094 573	925 279	31 672	123 707	1 298 218	7 473 449
Total	24 528 225	7 275 052	3 142 927	2 476 847	4 706 563	10 161 701	27 763 090

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

Effective interest rate and repricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they reprice.

2011

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
Loans from related parties	5,72%	236 335	--	--	236 335
Loans from third parties (1)	6,89%	3 015 455	166 318	--	2 849 137
Bank loans	3,23%	21 412 510	20 589 489	823 021	--
Finance lease liabilities	3,24%	1 268 207	1 249 667	--	18 540
Bonds issued (2)	4,42%	5 045 092	--	1 286 911	3 758 181
Total		**30 977 599**	**22 005 474**	**2 109 932**	**6 862 193**

(1) Unpaid interest represent TCZK 3 279 (loans with variable interest rate) and TCZK 358 265 (fixed interest rate) respectively.

(2) Including unpaid interest of TCZK 65 058.

2010

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
Loans from related parties	6,00%	312 636	--	--	312 636
Loans from third parties (1)	3,98%	3 096 255	367 643	--	2 728 612
Bank loans	3,44%	10 491 034	9 655 339	--	835 695
Finance lease liabilities	3,36%	1 046 019	1 037 359	--	8 660
Other bonds issued (2)	4,42%	1 278 252	--	1 278 252	--
Total		**16 224 196**	**11 060 341**	**1 278 252**	**3 885 603**

(1) Unpaid interest represent TCZK 4 448 (loans with variable interest rate) and TCZK 245 574 (fixed interest rate) respectively.

(2) Including unpaid interest of TCZK 48 252.

7.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market tisk exposures within acceptable parametres while optimizing the return.

The Group's market risks mainly arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.
The Group uses derivative financial instruments in an insignificant scope in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.
Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CZK, but also EUR.
Functional currency of the Group is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2011

	Currency	Carrying amount
Cash and cash equivalents	TEUR	11 512
	TUSD	5
Trade and other receivables	TEUR	6 070
	TUSD	--
Loans provided	TEUR	40 922
Other investments (bonds)	TEUR	--
Trade and other payables	TEUR	-3 502
	TUSD	-61
Interest bearing loans and borrowings	TEUR	-261 287
Liabilities from derivatives	TEUR	-2 621
Net position	**TEUR**	**-208 906**
Net position	**TUSD**	**56**

2010

	Currency	Carrying amount
Cash and cash equivalents	TEUR	16 483
	TUSD	3
Trade and other receivables	TEUR	1 506
	TUSD	35
Loans provided	TEUR	22 309
Trade and other payables	TEUR	-13 151
	TUSD	-33
Interest bearing loans and borrowings	TEUR	-104 923
Net position	**TEUR**	**-77 776**
Net position	**TUSD**	**5**

Sensitivity analysis – exposure to currency risk

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective group entities, with all other variables held constant.

A 10% strengthening of the Czech crown against the below currencies at 31 December 2011 would have increased the profit or loss before tax by TCZK 359 889 (2010 – TCZK 195 078) and equity by TCZK 299 979 (2010 – TCZK 0). The analysis is performed on the same basis for 2010.

2011

	In original currency		TCZK	CZK depreciated by 10% to EUR	Change	CZK appreciated by 10% to EUR	Change
Cash and cash equivalents	TEUR	11 512	297 010	326 711	29 701	267 309	-29 701
	TUSD	5	100	110	10	90	-10
Trade and other receivables	TEUR	6 070	156 606	172 267	15 661	140 945	-15 661
	TUSD	--	--	--	--	--	--
Loans provided	TEUR	40 922	1 055 788	1 161 367	105 579	950 209	-105 579
Other investments (bonds)	TEUR	--	--	--	--	--	--
Trade and other payables	TEUR	-3 502	-90 352	-99 387	-9 035	-81 317	9 035
	TUSD	-61	-1 216	-1 338	-122	-1 094	122
Interest bearing loans and borrowings	TEUR	- 308 101	-7 949 006	-8 743 906	-794 900	-7 154 105	794 900
Other bonds issued	TEUR	--	--	--	--	--	--
Liabilities from derivatives	TEUR	-2 621	-67 622	-74 384	-6 762	-60 860	6 762
Net exposure to currency risk	**TEUR**	-255 720	-6 597 576	-7 257 332	-659 756	-5 937 819	538 977
Net exposure to currency risk	**TUSD**	-56	-1 116	-1 228	-112	-1 004	112
Impact on profit/loss	**TCZK**				**-359 889**		**359 889**
Impact on equity	**TCZK**				**-299 979**		**299 979**

2010

	In original currency		TCZK	CZK depreciated by 10% to EUR	Change	CZK appreciated by 10% to EUR	Change
Cash and cash equivalents	TEUR	16 483	413 040	454 344	41 304	371 736	-41 304
	TUSD	3	56	62	6	50	-6
Trade and other receivables	TEUR	1 506	37 743	41 517	3 774	33 969	-3 774
	TUSD	35	623	685	62	561	-62
Loans provided	TEUR	22 309	559 076	614 984	55 908	503 168	-55 908
Trade and other payables	TEUR	-13 151	-329 570	-362 527	-32 957	-296 613	32 957
	TUSD	-33	-626	-689	-63	-563	63
Interest bearing loans and borrowings	TEUR	-104 923	-2 629 372	-2 892 309	-262 937	-2 366 435	262 937
Net exposure to currency risk	**TEUR**	-77 776	-1 950 831	-2 142 068	-195 083	-1 755 748	195 083
Net exposure to currency risk	**TUSD**	**5**	**53**	**58**	**5**	**48**	**-5**
Impact on profit/loss	**TCZK**				**-195 078**		**195 078**

In terms of the Group’s overall currency risk management strategy, the Group requires minimization of its exposure to changes in the cash flows from rent contracts.

The Group hedges itself against the risk of changes in the CZK/EUR exchange rate by entering into loans denominated in EUR. The Group defines as the hedged items the future collections from leasing contracts up to the net present value of the loan.

The Group presented the transaction as a cash flow hedge. The hedge accounting is applicable for the whole accounting period ending 31 December 2011. The hedging foreign currency loans are measured at fair value attributable to the foreign currency risk as at the balance sheet date and the effective part of this revaluation (foreign exchange gains and losses) is recognized in the Hedging reserve within the Group’s equity.

Future collection from leasing contract subject of hedge accounting	**In TEUR**
within 1 year	6 949
1-2 years	7 779
2-5 years	24 845
5-10 years	49 094
more than 10 yrs	76 544
Total	**165 211**

in thousand Czech crowns (TCZK)

b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under Notes 6.7 for financial assets and under Notes 6.12 financial liabilities respectively.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

The Group's objective of the interest rate hedge is to fix the variability in the interest outflows attributable to changes in the Euribor 3M rates. Hedge effectiveness is assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

Loans provided by the Group require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Group are usually based on Group's borrowing interest rates.

As the loans provided are based on fixed rates the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These obligations primarily include bank loans, finance lease liabilities and bonds issued.

Bank loans have flexible interest rates based on EURIBOR or PRIBOR rates for the reference period from 1 to 3 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to interest risk exceed predefined level so the Group entered into several transactions with the financial institutions to hedge the interest rate risk (refer to note 6.14) by holding interest rate swaps.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A change of interest rates by 10% at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

2011

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings	3,23%	-17 257 045	-557 403
Other bonds issued	4,25%	-1 230 000	-52 275
Total		**-18 487 045**	**-609 678**

2011

	rate + 10%	Interest calculated	P/L effect	rate - 10%	Interest calculated	P/L effect
Interest bearing loans and borrowings	3,55%	-613 143	-55 740	2,91%	-501 662	55 740
Other bonds issued	4,68%	-57 503	-5 228	3,83%	-47 048	5 228
Total		-670 646	-60 968		-548 710	60 968

in thousand Czech crowns (TCZK)

2010

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings	3,38%	-10 240 484	-346 128
Other bonds issued	4,42%	-1 229 000	-54 341
Total		**-11 469 484**	**-400 469**

2010

	rate + 10%	Interest calculated	P/L effect	rate - 10%	Interest calculated	P/L effect
Interest bearing loans and borrowings	3,72%	-380 741	-34 613	3,04%	-311 516	34 613
Other bonds issued	4,86%	-59 775	-5 434	3,98%	-48 907	5 434
Total		**-440 516**	**-40 047**		**-360 423**	**40 047**

Sensitivity analysis – exposure to interest rate risk for fixed rate instruments

The Group recognized all financial assets and liabilities (except derivatives and contingent consideration) at amortised costs. No fair value adjustments are recorded through the profit or loss.

7.4 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk.

Sensitivity analysis on changes in assumptions of investment property valuation

The Group has performed a sensitivity analysis on changes in investment property valuation except for development, residential, mixture (selected properties) and land bank segments. The table below presents the sensitivity of profit or loss before tax as at 31 December 2011 and 31 December 2010 due to changes in assumptions:

Investment property is stated in TCZK.

2011	Current average yield	Current market value	Increased yield	Market value upon increased yield	Effect of increased yield
Increase of 100 bp in yield	7,32%	31 933 939	8,32%	28 095 877	-3 838 062

2010	Current average yield	Current market value	Increased yield	Market value upon increased yield	Effect of increased yield
Increase of 100 bp in yield	7,68%	14 173 703	8,68%	12 541 430	-1 632 273

in thousand Czech crowns (TCZK)

7.5 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.
CPI as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's financial position.
No changes were made in the objectives, policies or processes during the year ended 31 December 2011.
The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2011 and at 31 December 2010 were as follows:

	2011	**2010**
Debt	41 272 453	27 239 861
Equity	15 998 672	12 601 363
Gearing ratio	**258%**	**216%**

in thousand Czech crowns (TCZK)

7.6 Related parties

The Group has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholder and companies in which these parties held controlling or significant influence or are joint ventures.

The remuneration of key management personnel and members of Board of Directors are summarized in following table.

	2011	2010
Remuneration paid to key management personnel and members of Board of Directors	34 848	12 724
Total	**34 848**	**12 724**

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

	2011	2010
Balances at 31 December		
Trade payables to Group	--	354
Trade receivables from Group	1 639	5 337
Other receivables from Group	6 777	87 153
Loans provided to the Group	3 612	3 514
Other payables to Group	190 088	100 428
Transactions		
Interest income	1 830	4 312
Interest expense	--	66
Bonds expense	270	124

in thousand Czech crowns (TCZK)

During the year, Group companies entered into the following transactions with joint ventures and with other related parties:

Joint ventures

	2011	2010
Balances at 31 December		
Loans provided to the Group	274 987	48 631
Trade receivables from the Group	2 396	263
Loans received from the Group	--	--
Trade payables to the Group	--	--
Transactions		
Purchases from the Group	--	--
Sale of services to the Group	1 662	90
Interest expense provided to the Group	--	--
Interest income received from the Group	5 662	1 131

Other entities

	2011	2010
GANDOLF CONSULTANCY LIMITED		
Other receivables from Group	--	134 623
Loans received from the Group	224 493	312 636
Interest expense charged by the Group	13 107	13 507
Vila Šárka, a.s.		
Trade receivables from the Group	143	366
Other receivables from the Group	--	4 980
Loans provided to the Group	--	11
Sale of services to the Group	13	90
Other entities (1)		
Trade receivables from the Group	192	--
Trade payables to the Group	--	51
Loans received from the Group	11 842	630
Sale of services to the Group	48	--
Interest income received from the Group	--	21

(1) Other entities include following companies:

Cerrini, s.r.o., Materali, a.s., Mondello, a.s., Papetti, s.r.o., Pietroni, s.r.o., Rivaroli, a.s., Robberg, a.s. and Zacari, a.s.

8 Contingent liabilities

8.1 Contingent assets

The Group is not aware of existence of any contingent assets as at 31 December 2011.

8.2 Contingent liabilities

The Group does not have in evidence any contingent liabilities. No legal proceeding is active the result of which would influence consolidated financial statements and the Group is not aware about any potential enter upon the law-suit.

9 Capital commitments

The Group has capital commitments of TCZK 150 000 (2010 – TCZK 75 334) in respect of capital expenditures contracted for at the date of the statement of financial position.

10 Subsequent events

10.1 Bonds

CPI VAR/12 bonds were redeemed in full on 22 March 2012. The nominal value of each bond was TCZK 10 and the total nominal value of bonds issued amounted to TCZK 650 000.

In March 2012 the Group issued new bonds:

CPI VAR/15 (EUR)

CPI VAR/15 bonds were issued on 23 March 2012. The bonds mature on 23 March 2015. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 15 000 000. CPI VAR/15 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/15, ISIN CZ0003501835). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 16 March 2012, reference number 2012/2446/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

CPI VAR EUR 2015
No. of bonds – pcs 30 000
Nominal value – EUR 500
Maturity – 23 March 2015
Interest rate – 6M EURIBOR + 6.5%

CPI VAR/19 (CZK)

CPI VAR/19 bonds were issued on 29 March 2012. The bonds mature on 29 March 2019. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 2 000 000. CPI VAR/19 bonds bear the interest rate based on 6M PRIBOR + 6.5% margin. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501868). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 27 March 2012, reference number 2012/2781/570 that came into force on 27 March 2012. Bonds were accepted for trading at the Prague Stock Exchange.

CZK CPI VAR 19
No. of bonds – pcs 2 000 000 000
Nominal value – CZK 1
Maturity 29 March 2019
Interest rate – 6M PRIBOR + 6.5%

CPI VAR/19 (EUR)

CPI VAR/19 bonds were issued on 23 March 2012. The bonds mature on 23 March 2019. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 70 000 000. CPI VAR/19 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501843). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 16 March 2012, reference number 2012/2445/570 that came into force on 19 March 2012. Bonds were accepted for trading at the Prague Stock Exchange.

CPI VAR EUR 2019
No. of bonds – pcs 140 000
Nominal value – EUR 500
Maturity – 23 March 2019
Interest rate – 6M EURIBOR + 6.5%

10.2 Business agreements

On 16 March 2012 the Company and a third party entered into the Settlement agreement which canceled the agreement on purchase of shares signed on 18 March 2009 and into the Settlement agreement which canceled the agreement on cession of receivables signed on 18 March 2009 based on which the Company sold 100% shares of subsidiary to this third party and ceded its receivables from this subsidiary.

On 16 March 2012 the Company signed the Agreement on sale of shares and the Agreement on cession of receivables based on which the Company sold 100% shares of above mentioned subsidiary to a new third party and ceded its receivables from this subsidiary. Receivables from these transactions are due on 30 April 2012.

10.3 Acquisitions

On 29 March 2012 the Group has acquired additional 50% stake in VT Holding, a.s. and has become the sole shareholder of the Company. VT Holding, a.s. includes subsidiaries 4B Property, s.r.o, VT Alfa, a.s. and Horova Immo s.r.o. The consideration paid represents TCZK 4 124.

The following entities were founded by the Group

- CPI East,s.r.o. (recorded on 12 March in Trade Register)
- CPI West, s.r.o. (recorded on 14 March in Trade Register)
- CPI Alfa, a.s. (recorded on 21 March in Trade Register)
- CPI Beta, a.s. (recorded on 21 March in Trade Register)
- CPI Delta, a.s. (recorded on 21 March in Trade Register)
- CPI Heli, s.r.o. (recorded on 27 March in Trade Register).

Prague, 27 April 2012

Radovan Vítek
Chairman of Board of Directors
Czech Property Investments, a.s.,

Marek Stubley
Vice-chairman of Board of Directors
Czech Property Investments, a.s.

14. FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

CZECH PROPERTY INVESTMENTS, A.S.

in thousand Czech crowns (TCZK)

Statement of financial position

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Intangible assets and goodwill	5.4	7 312	8 790
Investment in subsidiaries, jointly controlled entities and associates	3.1	13 847 414	5 027 637
Investment property	5.1	68 510	68 510
Property, plant and equipment	5.2	5 145	5 837
Other investments	5.4	11 766	11 746
Loans provided	5.5	3 631 514	6 308 249
Trade and other receivables	5.7	848 337	60 897
Total non-current assets		18 419 998	11 491 666
Current assets			
Trading property - inventories	5.6	182	533
Current income tax assets	4.11	--	3 686
Trade and other receivables	5.7	6 222 110	5 839 079
Other investments	5.4	--	301 625
Loans provided	5.5	4 096 880	1 151 624
Cash and cash equivalents	5.8	18 822	44 822
Total current assets		10 337 994	7 341 369
TOTAL ASSETS		**28 757 992**	**18 833 035**
Share capital		4 428 140	3 093 498
Share premium		122 800	--
Revaluation reserve		465 941	--
Other reserves		1 186 477	168 077
Retained earnings		1 685 260	1 367 430
Total equity attributable to owners of the Company	5.9	7 888 618	4 629 005

in thousand Czech crowns (TCZK)

Statement of financial position (continued)

	Note	31 December 2011	31 December 2010
Non-current liabilities			
Interest-bearing loans and borrowings	5.10	4 802 792	1 020 430
Bonds issued	5.11	2 352 000	3 026 000
Trade and other payables	5.13	927 953	874 934
Deferred tax liabilities	4.11	73 563	5 940
Total non-current liabilities		8 156 308	4 927 304
Current liabilities			
Bank overdrafts	5.12	2 248 678	978 974
Interest-bearing loans and borrowings	5.10	7 413 429	2 011 655
Bonds issued	5.11	887 599	155 849
Current income tax liabilities	4.11	595	--
Trade and other payables	5.13	2 162 765	6 130 248
Total current liabilities		12 713 066	9 276 726
TOTAL EQUITY AND LIABILITIES		**28 757 992**	**18 833 035**

Notes to financial statements on page 196 to 264 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Statement of comprehensive income

	Note	2011	2010
Revenues	4.1	**133 354**	**33 513**
Administrative expenses	4.2	-188 544	-56 553
Net valuation loss on investment property	4.3	357	6 902
Gain on the disposal of subsidiaries and associates	4.4	-31	-495 924
Loss on the disposal of trading property	4.5	-1 828	--
Impairment of assets / Reversal of impairment of assets	4.6	1 981	-315 125
Other income	4.7	538	52
Other expenses	4.8	-1 547	-1 664
Results from operating activities		**-55 720**	**-828 799**
Finance income	4.9	494 870	833 799
Finance expense	4.10	-701 135	-356 649
Net finance income / (expense)		**-206 265**	**477 150**
Loss before income tax		**-261 985**	**-351 649**
Income tax income	4.11	38 870	3 120
Loss for the period		**-223 115**	**-348 529**
Other comprehensive income / (expense) for the period, net of tax		--	--
Total comprehensive expense for the period		-223 115	**-348 529**
Loss attributable to:			
Owners of the Company		-223 115	-348 529
Non-controlling interest		--	--
Loss for the period		-223 115	-348 529
Total comprehensive expense attributable to:			
Owners of the Company		-223 115	-348 529
Non-controlling interest		--	--
Total comprehensive expense for the period		-223 115	-348 529

in thousand Czech crowns (TCZK)

Statement of comprehensive income (continued)

Earnings per share	Note	2011	2010
Basic loss per share (CZK)		-56,11	-163,45
Diluted loss per share (CZK)		-56,11	-163,45
Earnings per share - continuing operations			
Basic loss per share (CZK)		-56,11	-163,45
Diluted loss per share (CZK)		-56,11	-163,45

Notes to financial statements on page 196 to 264 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Statement of cash flow

	Note	For the year ended 31 December 2011	31 December 2010
Operating activities:			
Profit before income tax		**-261 985**	**-351 649**
Adjusted by:			
Net valuation gain on investment property	4.3	-357	-6 902
Depreciation / amortisation of tangible and intangible assets	5.2 & 5.3	2 768	2 963
Impairment of assets / Reversal of impairment of assets	4.6	-1 981	315 125
Loss on the disposal of subsidiaries	4.5	31	495 924
Net finance (income) / expense	4.9 & 4.10	186 923	-477 150
Dividends income		--	-580 000
Exchange rate differences		94 877	16 232
Other non-cash adjustments		776	--
Profit before changes in working capital and provisions		**21 052**	**-585 457**
Changes in trade and other receivables		-2 848 785	-864 867
Changes in trading property - inventory		351	-533
Changes in trade and other payables		1 909 899	2 990 553
Income tax paid		91	-427
Net cash flows from operating activities:		**-917 393**	**1 539 269**
Investing activities:			
Acquisition of investment in subsidiaries, jointly controlled entity and associates		-9 019 616	-2 382 821
Proceeds from disposals of investment in subsidiaries, jointly controlled entity and associates	4.5	448 200	404 005
Cash acquired as a result of merger		946	--
Acquisition of property, plant and equipment	5.2	-1 255	-4 389
Acquisition of intangible assets	5.3	-278	-699
Acquisition of other investments	5.4	-20	--
Proceeds from other investments	5.4	303 066	-148 994
Other loans (provided) / repaid		-2 797 741	-4 148 381
Dividends received		48	580 000
Interest received		313 546	70 765
Net cash flows from investing activities		**-10 753 104**	**-5 630 514**

in thousand Czech crowns (TCZK)

Statement of cash flows (continued)

	Note	For the year ended 31 December 2011	31 December 2011
Financing activities:			
Proceeds from issue of share capital		--	1 808 043
Proceeds from bonds issued	5.11	2 000	984 000
Re-purchase of own bonds		-2 000	--
Other capital contributions	5.9	1 000 000	--
Drawings / (repayments) of loans and borrowings		10 794 583	1 488 363
Drawings / (repayments) of finance lease liabilities		-184	--
Interest paid		-149 902	-180 996
Net cash flows from financing activities		**11 644 497**	**4 099 410**
Net increase in cash and cash equivalents		**-26 000**	**8 165**
Cash and cash equivalents at beginning of the year	5.8	**44 822**	**36 657**
Cash and cash equivalents at the end of the year	5.8	**18 822**	**44 822**

Notes to financial statements on page 196 to 264 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Statement of changes in equity

	Note	*Share capital*	*Share premium*	*Legal reserve*	*Revaluation reserve*	*Other capital contributions*	*Retained earnings*	*Total attributable to owners of the Company*	*Total equity*
Balance at 1 January 2011		3 093 498	--	12 410	--	155 667	1 367 430	4 629 005	4 629 005
Comprehensive income for the period									
Loss for the period		--	--	--	--	--	-223 115	-223 115	-223 115
Total other comprehensive expense		--	--	--	--	--	--	--	--
Total comprehensive expense for the period		--	--	--	--	--	-223 115	-223 115	-223 115
Transactions with owners of the Company, recognised directly in equity									
Issue of ordinary shares	5.9	1 334 642	122 800	--	--	--	--	1 457 442	1 457 442
Owner's contribution	5.9	--	--	--	--	1 000 000	--	1 000 000	1 000 000
Total transactions with owners of the Company		1 334 642	122 800	--	--	1 000 000	--	2 457 442	2 457 442
Other movements									
Effect of merger	3.2	--	--	18 400	--	--	540 945	559 345	559 345
Effect resulting from non-interest loans granted from subsidiaries	5.9	--	--	--	465 941	--	--	465 941	465 941
Total other movements		--	--	18 400	465 941	--	540 945	1 025 286	1 025 286
Balance at 31 December 2011		4 428 140	122 800	30 810	465 941	1 155 667	1 685 260	7 888 618	7 888 618

in thousand Czech crowns (TCZK)

Statement of changes in equity (continued)

	Note	Share capital	Reserve for own shares	Legal reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company
Balance at 1 January 2010		745 340	19 231	12 410	155 667	1 715 959	2 648 607
Comprehensive income for the period							
Loss for the period		--	--	--	--	-348 529	-348 529
Total other comprehensive income		--	--	--	--	--	--
Total comprehensive income for the period		--	--	--	--	-348 529	-348 529
Transactions with owners of the Company, recognised directly in equity							
Issue of ordinary shares		2 000 000	--	--	--	--	2 000 000
Own shares sold		348 158	-19 231	--	--	--	328 927
Total transactions with owners of the Company		2 348 158	-19 231	--	--	--	2 328 927
Balance at 31 December 2010		3 093 498	--	12 410	155 667	1 367 430	4 629 005

Notes to financial statements on page 196 to 264 are integral part of these financial statements.

in thousand Czech crowns (TCZK)

Notes to the Financial Statements

1 General information

Czech Property Investments, a.s. („the Company“) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established 17 December 1991 and was incorporated in the Commercial register kept by the Municipal Court in Prague.

The address of its registered office is Václavské nám. 1601/47, Praha 1.

Principal activities

The Company, through its subsidiaries and joint ventures, rents and manages its investment property portfolio composed of office buildings, retail parks, logistics parks, hotels and residential premises as well as develops real estate projects.

Description of ownership structure

The Company controls, directly or indirectly a number of other companies in the Czech Republic, Slovak Republic, Ireland, Cyprus and in the Netherlands.

The sole shareholder of the Company is Radovan Vítek, Minská 41, Brno.

Management

as at 31 December 2011

Board of Directors	*Supervisory Board*
Chairman	
Radovan Vítek, since 30 November 2011	
Vice-chairman	Members
Marek Stubley, since 30 November 2011	Vladimír Sup, since 12 February 2010
Member	Pavel Semrád, since 12 February 2010
Marie Vítková, since 30 November 2011	Radan Kamenický, since 28 December 2005

in thousand Czech crowns (TCZK)

as at 31 December 2010

Board of Directors	*Supervisory Board*
Chairman	
Zdeněk Havelka, since 11 January 2007	
Members	Members
Josef Štolba, since 22 June 2005	Vladimír Sup, since 12 February 2010
Milan Trněný, since 22 June 2005	Pavel Semrád, since 12 February 2010
	Radan Kamenický, since 28 December 2005

Employees
The Company employs 3 employees at 31 December 2011 (at 31 December 2010 – 1 employee).

2 Summary of significant accounting policies

2.1 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Union.

The financial statements were authorised for issue by the Board of Directors on 27 April 2012.

In 2011 the Group adopted the following new or amended standards and interpretations, which were relevant to the Group:

- *IFRS 3 – Business Combinations* (effective date 1 July 2010)

  The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); furthermore the amendments limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards.

- *IFRS 7 Financial Instruments: Disclosures* (effective date 1 January 2011)

  The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- *IAS 1 Presentation of financial statements* (effective date 1 January 2011)

  The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- *IAS 24 Related Party Disclosures* (effective date 1 January 2011)

  The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- *IAS 34 Interim Financial Reporting (effective 1 January 2011)*

  The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

The adoption of the above-mentioned revised standards and amendments do not have a material impact on the consolidated financial statements of the Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- investment property and investment property under development are measured at fair values;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration is measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Czech Crowns, which is the Company's functional currency. All financial information presented in Czech Crowns has been rounded to the nearest thousand (TCZK), except when otherwise indicated.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note (2.2(c)) – Investment property
- Note (2.2(a)) – Contingent consideration

e) Changes in classification and presentation

The Company has amended classification and presentation of certain items in the financial statements as at 31 December 2011 in order to provide more reliable and accurate information about the Company's financial position, financial performance and its cash-flow. To ensure consistency with the classification selected in the current period, reclassifications were made in the comparative financials as at 31 December 2010.

The reclassifications have no impact to net profit or to the equity as disclosed as at 31 December 2010.

2.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in the other comprehensive income.

b) Investments in subsidiaries, jointly controlled entities and associates

Subsidiaries are those entities in which the Company has control over the financial and operating policies. Control is presumed to exist when the Company more than 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in subsidiaries, jointly controlled entities and associates are carried at costs, less any impairment losses as described in accounting policy 2.2 (i(i)).

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2011 and 2010 respectively.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

d) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy 2.2(m).

Property held under finance lease that meets the criteria of investment property is classified as such and is measured at fair value as described in accounting policy 2.2(c).

Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy 2.2(i)).

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised in the Company's statement of financial position at its fair value. Lease payments are accounted for as described in accounting policy 2.2(m).

e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 2.2(i)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, capitalised borrowing costs and an appropriate proportion of production overheads.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses the previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	**2011**	**2010**
Equipment	10 years	10 years
Motor vehicles	5 years	5 years
Fittings	5years	5years
Computers	3 years	3 years

Depreciation methods, useful lives and residual values (if not insignificant) are reviewed at each reporting date and adjusted if appropriate.

f) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy 2.2(i)).

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	2011	2010
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

Amortisation methods, useful lives and residual values (if not insignificant) are reviewed at each reporting date and adjusted if appropriate.

g) Trading property - inventory

Trading property - inventory is measured at the lower of cost and net realisable value.

Cost includes expenditure that is directly attributable to the acquisition of the trading property - inventory. The cost of self-constructed trading property - inventory includes the cost of material and direct labour, any other costs directly attributable to bringing the trading property - inventory to a condition for their intended use and capitalised borrowing costs. Costs of trading property – inventory reclassified from existing investment property is based on the fair value of such property.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses

h) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, provided loans, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including financial assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Provided loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(i)).

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Company’s provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate calculated at initial recognition of these financial assets). Loan receivables with a short duration are not discounted.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(i)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(i)).

Held-to-maturity financial assets comprise bonds.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy 2.2(i)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets which are investments in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate are carried at cost.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings, bonds issued, bank overdrafts, and trade and other payables.

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing loans, borrowings and bonds issued and bank overdraft

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

Bank overdrafts form an integral part of the Company's cash management.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

(iii) Share capital and share premium

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and shares options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects.

Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasure shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

CPI Group

i) Impairment

(i) Non - financial assets and investments in subsidiaries, jointly controlled entities and associates

The carrying amounts of the Company's investments in subsidiaries, jointly controlled entities and associates and non-financial assets, other than investment property (see accounting policy (2)c) and deferred tax assets (see accounting policy 2.2(o)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired 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(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant of prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (provided loans, trade and other receivables, held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

k) Guaranties provided

In the normal course of business, the Company may enter into credit related commitments which are accounted for in accounts out of the statement of financial position. These commitments primarily include financial guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Company refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

l) Revenue

(i) Services rendered

Revenue from services rendered is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably. Services rendered by the Company represent mainly advisory and accounting services.

(ii) Commissions

When the Company acts in the capacity of an agent rather than as a principal in the transaction, the revenue recognized is the net amount of commission made by the Company.

(iii) Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(iv) Sale of investments in subsidiaries, jointly controlled entities and associates, investment property and trading property,

Revenue from the sale of investments in subsidiaries, jointly controlled entities and associates, investment property and trading property is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably.

m) Expenses

(i) Administrative expenses

Administrative expenses include service provided based on mandate contracts, legal and advisory services and other expenses relating to the management and administration of the Company. These espenses are recognised as it accrues in profit or loss.

(i) Administrative expenses

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it was a finance lease and the fair value model is used for the asset recognised.

(iii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

n) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans, interest on bonds purchased), dividend income, gains on disposal of available-for-sale financial assets, , gains on derivative instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company’s right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings, on bonds issued, interest charges related to finance leases, bank charges, losses on disposal of available-for-sale financial assets, losses on derivative instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

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

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

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will no reverse in the foreseeable future; and

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority and the Company intend to settle current tax liabilities and assets on a net basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Each segment within the Company is periodically evaluated during the regular meetings of established task forces and results of such evaluations are reported during the Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Company's operating and geographical segments. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Company's management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

The Company determinates its operations to the one segment – Investment Management. In respect of geographical segments, 89,3 % of revenues are realized in the Czech Republic and 10,7 % of revenues are realized in Slovakia.

All non-financial assets are located in the Czech Republic.

in thousand Czech crowns (TCZK)

3 Investments in subsidiaries, jointly controlled entities and associates

As at 31 December 2011 the Company undertakes control in 54 subsidiaries and 1 jointly controlled entitity (2010 - 36 subsidiaries, no jointly controlled entity and 1 associate).

3.1 Investments in subsidiaries and jointly controlled entities at 31 December 2011

Name (former name)	*Ownership interest (%)*	*Cost of investment*	*Impairment*	*Carrying amount*	*Net assets*
AB BHV, spol. s r.o.	100,00%	2 690	--	2 690	7 891
ABIGAIL, a.s.	100,00%	695	-165	530	530
– Bageleot, a.s.	100,00%	50 000	-50 000	--	-558
Balvinder, a.s.	100,00%	2 000	--	2 000	14 853
Baudry, a.s.	100,00%	2 000	-275	1 725	1 725
BAYTON SR, a.s.	100,00%	1 600	-1 600	--	-489
Beroun Property Alfa, a.s.	100,00%	2 000	-28	1 972	1 972
Beroun Property Development, a.s. (Graciana, a.s.)	100,00%	2 000	--	2 000	7 090
Camuzzi, a.s.	100,00%	2 000	-439	1 561	1 561
Carpenter Invest, a.s.	100,00%	88 558	-5 419	83 139	83 139
Conradian, a.s.	100,00%	110 000	-110 000	--	-45 763
CPI - Bor, a.s.	100,00%	182 649	-30 077	152 572	152 572
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-32 154
CPI - Land Development, a.s.	100,00%	1 500 000	-177 301	1 322 699	1 322 699
CPI - Orlová, a.s.	100,00%	2 000	-2 000	--	-5 205
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	660 338
CPI - Štupartská, a.s.	100,00%	27 000	-27 000	--	-61 718
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	119 031
CPI BYTY, a.s.	100,00%	184 767	--	184 767	4 986 314
CPI City Center ÚL, a.s.	100,00%	5 233	--	5 233	8 446
CPI Facility Slovakia, a.s.	100,00%	609	--	609	1 756
CPI Finance Ireland Limited	100,00%	9 001 500	-2 339	8 999 161	8 999 161
CPI Finance Netherlands B.V.	100,00%	48 428	--	48 428	204 916
CPI Finance, a.s.	100,00%	795 000	--	795 000	815 937
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	404 247
CPI Management, s.r.o.	100,00%	200	-22	178	178
CPI Park Mlýnec, a.s.	100,00%	121 900	--	121 900	131 552
CPI Property, s.r.o.	100,00%	200	-13	187	187
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 469 841
CPI Retails ONE, a.s.	100,00%	2 000	-2 000	--	-8 443
CPI Retails TWO, a.s.	100,00%	2 000	-2 000	--	-1 913
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 506
Družstvo Land	99,96%	934 026	--	934 026	1 180 226

in thousand Czech crowns (TCZK)

Name (former name)	Ownership interest (%)	Cost of investment	Impairment	Carrying amount	Net assets
ELAMOR, a.s.	100,00%	672	-55	617	617
FL Property Development, a.s.	100,00%	2 000	--	2 000	12 413
IGY2 CB, a.s.	100,00%	2 000	--	2 000	2 162
Kerina, a.s.	100,00%	87 000	--	87 000	100 856
Komura, a.s.	100,00%	2 000	--	2 000	19 465
Malerba, a.s.	100,00%	100 000	--	100 000	1 835 965
Marissa, a.s.	100,00%	2 000	-1 699	301	301
MUXUM, a.s.	100,00%	108 326	-108 326	--	-88 427
Prague Property Development, s.r.o.	100,00%	38 771	--	38 771	92 082
Strakonice Property Development, a.s.	100,00%	2 000	-2 000	--	-2 989
Svitavy Property Alfa, a.s.	100,00%	2 000	-1 557	443	443
Svitavy Property Development, a.s.	100,00%	40 000	-40 000	--	-11 969
Telč Property Development, a.s.	100,00%	--	--	--	-224
Trenčín Property Development, a.s.	100,00%	827	-827	--	-4 869
Trutnov Property Development, a.s.	100,00%	2 000	-146	1 854	1 854
U svatého Michala, a.s.	100,00%	2 000	--	2 000	47 684
Vigano, a.s.	100,00%	2 000	-2 000	--	-211 236
VM Property Development, a.s.	100,00%	2 000	--	2 000	27 321
VT Holding, a.s.(1)	50,00%	1 000	-1 000	--	-5 557
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	74 111
Žďár Property Development, a.s.	100,00%	500	-500	--	-7 192
Ždírec Property Development, a.s.	100,00%	2 000	--	2 000	5 226
Total	--	14 420 202	-572 788	13 847 414	--

(1) VT Holding, a.s. was classified as associate as at 31 December 2010. As a result of change in control of related projects, the entity is classified as joint-venture since 1 January 2011.

in thousand Czech crowns (TCZK)

Investments in subsidiaries and associate at 31 December 2010

Name	*Ownership interest (%)*	*Cost of investment*	*Impairment*	*Carrying amount*	*Net assets*
ABIGAIL, a.s.	100,00%	695	-37	658	658
Balvinder, a.s.	100,00%	2 000	--	2 000	31 237
Baumarkt České Budějovice s.r.o.	100,00%	72 231	--	72 231	73 545
Carpenter Invest, a.s.	100,00%	88 558	-88 558	--	-5 087
CB Property Development, a.s.	100,00%	2 000	-2 000	--	-29 226
Conradian, a.s.	100,00%	110 000	-110 000	--	-46 300
CPI - Bor, a.s.	80,00%	152 649	-26 801	125 848	157 310
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-34 088
CPI - Land Development, a.s.	100,00%	1 500 000	-164 619	1 335 381	1 335 381
CPI - Orlová, a.s.	100,00%	2 000	-2 000	--	-5 549
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	649 717
CPI - Štupartská, a.s.	100,00%	27 000	-27 000	--	-44 525
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	110 573
CPI BYTY, a.s.	100,00%	164 767	--	164 767	4 739 603
CPI City Center ÚL, a.s.	100,00%	5 233	--	5 233	10 171
CPI Finance, a.s.	100,00%	795 000	--	795 000	799 671
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	412 702
CPI Park Mlýnec, a.s.	100,00%	121 900	--	121 900	136 512
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 380 747
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 182
Družstvo Land	99,39%	933 551	--	933 551	1 186 797
Farhan, a.s.	100,00%	2 000	-2 000	--	-1 900
FL Property Development, a.s.	100,00%	2 000	-56	1 944	1 944
Graciana, a.s.	100,00%	2 000	--	2 000	5 192
Lockhart, a.s.	100,00%	12 000	-12 000	--	-6 502
Malerba, a.s.	100,00%	100 000	--	100 000	1 840 568
MUXUM, a.s.	100,00%	108 326	-108 326	--	-82 661
Prague Development Holding, a.s.	100,00%	381 361	--	381 361	951 401
Prague Property Development, s.r.o.	100,00%	38 771	-3 059	35 712	35 712
Strakonice Property Development, a.s.	100,00%	2 000	-2 000	--	-2 188
Svitavy Property Development, a.s.	100,00%	40 000	-40 000	--	-25 577
U svatého Michala, a.s.	100,00%	2 000	--	2 000	57 524
Ústí nad Labem Property Development, a.s.	100,00%	50 000	-50 000	--	-10 812
Vigano, a.s.	100,00%	2 000	-2 000	--	-183 423
VM Property Development, a.s.	100,00%	2 000	--	2 000	8 314
VT Holding, a.s.	50,00%	1 000	-1 000	--	-191
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	63 214
Total	--	5 673 093	-645 456	5 027 637	--

in thousand Czech crowns (TCZK)

3.2 Merger of the Company with its subsidiaries

Subsidiaries Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. merged with the Company (the "successor company") with the effective date of 28 July 2011. The transaction was legally completed on 28 July 2011 when the merger was recorded in the commercial register.

The merger had the following effect on Company's assets and liabilities:

Assets in fair value Ústí nad Labem Property Development, a.s.	2 595	Liabilities of Ústí nad Labem Property Development, a.s.	13 406
Assets in fair value Prague Development Holding, a.s.	1 271 987	Liabilities of Prague Development Holding, a.s.	320 470
Value of investments into:		Effect on equity of the Company:	559 345
Prague Development Holding, a.s.	-381 361	thereof: Retained Earnings	540 945
Ústí nad Labem Property Development, a.s. (1)	--	Legal Reserve	18 400
Total	**893 221**		**893 221**

(1) Carrying value of disclosed financial investmet was zero, as original cost of investment in Ústí nad Labem Property Development, a.s. amounted to TCZK 50 000 and related impairment to TCZK -50 000.

3.3 Mergers of subsidiaries

IGY České Budějovice, s.r.o. has merged with CB Property Development, a.s. (the "successor company") with the effective date of 1 January 2011. The transaction was legally completed on 18 May 2011 when the merger was recorded in the commercial register.

Office Center Stodůlky DELTA a.s. has merged with Farhan, a.s. (the "successor company") with the effective date of 1 March 2011. The transaction was legally completed on 24 October 2011 when the merger was recorded in the commercial register.

in thousand Czech crowns (TCZK)

3.4 Acquisition of Investments in subsidiaries and jointly controlled entities in 2011

During 2011, the Company has acquired or founded the following entities.

Entity	*Change*	*Share of acqusition in %*	*Date of acquisition*
AB BHV spol. s.r.o.	acquisition	100,00%	13 January 2011
Bageleot, a.s.	acquisition	100,00%	15 July 2011
Baudry, a.s.	acquisition	100,00%	8 March 2011
BAYTON SR, a.s.	acquisition	100,00%	1 February 2011
Beroun Property Alfa, a.s.	founded	100,00%	19 July 2011
Camuzzi, a.s.	acquisition	100,00%	8 March 2011
CPI Facility Slovakia, a.s.	founded	100,00%	30 June 2011
CPI Finance Ireland Limited	acquisition	100,00%	31 March 2011
CPI Finance Netherlands B. V.	acquisition	100,00%	12 April 2011
CPI Management, s.r.o.	founded	100,00%	19 September 2011
CPI Property, s.r.o.	founded	100,00%	27 September 2011
CPI Retails ONE, a.s.	acquisition	100,00%	1 February 2011
CPI Retails TWO, a.s.	acquisition	100,00%	1 February 2011
IGY2 CB, a.s.	founded	100,00%	24 August 2011
Kerina, a.s.	acquisition	100,00%	1 February 2011
Komura, a.s.	acquisition	100,00%	1 June 2011
Marissa, a.s.	acquisition	100,00%	8 March 2011
Svitavy Property Alfa, a.s.	founded	100,00%	20 July 2011
Telč Property Development, a.s.	acquisition	100,00%	31 March 2011
Trutnov Property Development, a.s.	acquisition	100,00%	4 April 2011
Žďár Property Development, a.s.	acquisition	100,00%	8 March 2011
Ždírec Property Development, a.s.	acquisition	100,00%	2 May 2011

- The Company has acquired subsidiary AB BHV spol. s.r.o. for TCZK 2 690 on 13 January 2011. AB BHV spol. s.r.o. rents retail and residential premises in Příbor. Fair value of investment property operated represent TCZK 42 000 at 31 December 2011.
- The Company has acquired subsidiary Bageleot, a.s. for TCZK 50 000 on 15 July 2011. Bageleot, a.s. has acquired former Živnostenská banka building for TCZK 884 632 in Prague city centre at Na Příkopě street.
- The Company has acquired subsidiary Baudry, a.s. for TCZK 2 000 on 8 March 2011. Baudry, a.s. operates as holding company of subsidiary Baudry Beta, a.s. to which the Company sold its 4 subsidiaries (refer to note 4.5)
- The Company has acquired subsidiary BAYTON SR, a.s. for TCZK 1 600 on 1 February 2011. Subsequently, BAYTON SR, a.s. has acquired Komárno Investments, s.r.o.
- The Company has acquired subsidiary Camuzzi, a.s. (including its subsidiary RK Building s.r.o.) for TCZK 2 000 on 8 March 2011. This subgroup operates hotel premises in Františkovy Lázně. Fair value of investment property operated represent TCZK 55 151 at 31 December 2011.

in thousand Czech crowns (TCZK)

- CPI Facility Slovakia, a.s. was founded by the Company for the purpose of extension of facility services provided to group entities in Slovak Republic.
- CPI Finance Ireland Limited and CPI Finance Netherlands B. V. were acquired by the Company to optimize structure of financing activities of the group. Purchase price represents TCZK 513 for CPI Finance Netherlands B. V. and EUR 2 for CPI Finance Ireland Limited. Consequently, the share capital of CPI Finance Ireland Limited was increased by TCZK 9 000 000 by the issue of new shares on 28 April 2011 and by TCZK 47 915 with respect of CPI Finance Netherlands B. V.
- CPI Retails ONE, a.s. and CPI Retails TWO, a.s were acquired on 1 February 2011 for TCZK 2 000 each. Both entities operate as holdings. CPI Retails ONE, a.s. has purchased 3 entities (Řepy Investments, s.r.o., Mělník Investments, s.r.o. and Pardubice Investments, s.r.o.). These entities rents retail premises in total fair value of TCZK 361 950 at 31 December 2011. CPI Retails TWO, a.s. has purchased 2 entities (Náchod Investments, s.r.o. and Chrudim Investments, a.s.). These entities rents retail premises in total fair value of TCZK 287 283 at 31 December 2011.
- The Company has acquired subsidiary Kerina, a.s. for TCZK 2 000. Kerina, a.s. operates hotel premises in Ostrava. Fair value of investment property operated represent TCZK 160 700 at 31 December 2011.
- The Company has acquired subsidiary Komura, a.s. including its subsidiary Brilliant Variety, s.r.o.for TCZK 2 000. This subgroup operates industrial premises near Brandýs nad Labem. Fair value of investment property operated represent TCZK 454 450 at 31 December 2011.
- The Company has acquired subsidiary Telč Property Development, a.s.for CZK 1. Telč Property Development, a.s owns land plots with fair value of TCZK 21 386 at 31 December 2011.
- Trutnov Property Development, a.s was acquired for TCZK 2 000. This entity operates as holding. Trutnov Property Development, a.s has purchased MAPON, a.s. Fair value of investment property operated by MAPON, a.s. represents TCZK 186 132 at 31 December 2011.
- The Company has acquired subsidiary Žďár Property Development, a.s. for TCZK 500. Žďár Property Development, a.s. has no investment property at 31 December 2011.
- The Company has acquired subsidiary Ždírec Property Development, a.s. for TCZK 2 000. Ždírec Property Development, a.s. rents retail premises in Žďírec nad Doubravou. Fair value of investment property operated represent TCZK 33 050 at 31 December 2011.

3.5 Acquisition of non-controlling interests in 2011

Entity	*Change*	*Share of acqusition in %*	*Date of acquisition*
Březiněves, a.s. (1)	acquisition	0,55%	1 March 2011
CPI - Bor, a.s. (2)	acquisition	20,00%	4 January 2011

(1) Březiněves, a.s.

On 1 March 2011, the Company acquired an additional 0,55% interest in Březiněves, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 300 was paid to the non-controlling interest shareholders.

(2) CPI - Bor, a.s.

On 4 January 2011, the Company acquired remaining 20% interest of the voting shares of CPI - Bor, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 30 000 was paid to the non-controlling interest shareholders (refer to Note 5.7).

in thousand Czech crowns (TCZK)

3.6 Disposal of Investments in subsidiaries in 2011

During 2011, the Company has disposed the following entities.

Entity	*Change*	*Share of disposal in %*	*Date of disposal*
Baumarkt České Budějovice s.r.o.	sale	100,00%	30 September 2011
CB Property Development, a.s.	sale	100,00%	31 August 2011
Farhan, a.s.	sale	100,00%	31 August 2011
Lockhart, a.s.	sale	100,00%	7 September 2011

In 2011, the Company sold the above entities to Baudry Beta, a.s. The entity is owned through the subsidiary Baudry, a.s. and operates under control of the Company. The sales were carried out to optimize the Company's investment portfolio and provide more effective management of the group controlled by the Company.

3.7 Acquisitions of subsidiaries and associate in 2010

Entity	*Date of acquisition*	*Share of acquisition in %*
ABIGAIL, a.s.	22 December 2010	100,00%
Baumarkt České Budějovice s.r.o.	8 December 2010	100,00%
CPI - Land Development, a.s.	7 October 2010	100,00%
CPI - Orlová, a.s.	31 December 2010	100,00%
CPI Hotels Properties, a.s.	22 December 2010	100,00%
Graciana, a.s.	1 December 2010	100,00%
Vigano, a.s.	1 December 2010	100,00%
Lockhart, a.s.	2 September 2010	100,00%
C KAPITAL INWEST a.s./RLRE TELLMER Property s.r.o. (1)	18 June 2010	100,00%
Farhan, a.s.	1 November 2010	100,00%
Malerba, a.s., subgroup (2)	31 December 2010	100,00%
VT Holding, a.s., subgroup (3)	31 December 2010	50,00%

(1) including subsidiary HAINES s.r.o.

in thousand Czech crowns (TCZK)

(2) including the following subsidiaries:

- Český Těšín Property Development, a.s.
- EMDEEN, a.s.
- Betonstav spol. s r.o.
- ISTROFINAL TV, s. r. o.
- Komárno Property Development, a.s.
- Liptovský Mikuláš Property Development, a.s.
- MB Property Development, a.s.
- Michalovce Property Development, a.s.
- Modřanská Investment, s.r.o.
- Modřanská Property, a.s.
- Nymburk Property Development, a.s.
- OC Nová Zdaboř, a.s.
- Považská Bystrica Property Development, a.s.
- Prievidza Property Development, a.s.
- Ružomberok Property Development, a.s.
- Třinec Property Development, a.s.
- TSB, s.r.o.
- Zvolen Property Development, a.s.

(3) including subsidiary 4B Property, s.r.o

3.8 Disposals of subsidiaries in 2010

In 2010, the Company sold the following entities:

Entity	*Date of sale*
C KAPITAL INWEST a.s.	1 December 2010
CPI - Horoměřice, a.s.	22 December 2010
CPI - Residential, a.s.	22 December 2010
Družstvo Reality "v likvidaci"	1 December 2010
Krč Property Development, a.s. "v likvidaci"	1 December 2010
Novegro, a.s.	30 November 2010
RealCore s.r.o.	1 December 2010
Statenice Property Development, a.s.	12 July 2010

Optimalization of the Company's investment portfolio was the dominant purpose of disposals of subsidiaries in 2010.

in thousand Czech crowns (TCZK)

4 Statement of comprehensive income

4.1 Revenues

	2011	2010
Advisory and accounting services	115 480	18 828
Rental income	14 413	14 676
Other services	3 461	9
Total	**133 354**	**33 513**

The Company provides mainly portfolio management services to group companies or related parties.

Significant increase in advisory and accounting services provided resulted from corresponding expansion of the Group in 2011.

4.2 Administrative expenses

	2011	2010
Services provided based on mandate contracts (1)	-130 265	-16 379
Rental	-16 717	-19 851
Audit, tax and advisory services (2)	-16 473	-5 220
Legal services (2)	-11 615	-4 994
Wages and salaries	-2 955	-1 623
Depreciation and amortisation expense	-2 768	-2 963
Telecommunication fees	-2 176	-383
Representation expenses	-1 511	-87
Social and health security contributions	-1 005	-552
Advertising expenses	-650	-390
Repairs and maintenance	-545	-143
Insurance expenses	-300	-212
Material consumption	-259	-152
Energy consumption	-35	-62
Other social expenses	-33	-10
Other administrative expenses	-1 237	-3 532
Total	**-188 544**	**-56 553**

Increase in total administrative expenses reflects the group’s expansion in 2011.

(1) Services provided based on mandate contracts include activities provided by Company’s subsidiaries, mainly by CPI Services, a.s. and CPI - Facility, a.s. These services relate to advisory and accounting services invoiced to the entities within the group.

(2) Increase in advisory and legal services is mainly attributable to services incurred in connection with acquisitions of subsidiaries in 2011.

in thousand Czech crowns (TCZK)

4.3 Net valuation gain on investment property

	2011	2010
Valuation gains		
Land bank	357	6 902
Total valuation gains	**357**	**6 902**
Valuation lossess	--	--
Total valuation losses	--	--
Net valuation gain	**357**	**6 902**

4.4 Net result on disposal of trading property – inventories

	2011	2010
Proceeds from disposal of trading property		
Project management - Marianske Lazne	4 037	933
Total proceeds from disposal of trading property	**4 037**	**933**
Carrying value of trading property disposed and related cost		
Project management - Marianske Lazne	-5 865	-933
Total carrying value of trading property disposed and related cost	**-5 865**	**-933**
Net loss on the disposal of trading property		
Project management - Marianske Lazne	-1 828	--
Total loss on the disposal of trading property	**-1 828**	**--**

in thousand Czech crowns (TCZK)

4.5 Net result on disposal of the financial investment in subsidiaries

	2011	2010
Proceeds from disposal of subsidaries and associates		
Baumarkt České Budějovice s.r.o.	72 200	--
CB Property Development, a.s.	177 000	--
Farhan, a.s.	122 000	--
Lockhart, a.s.	77 000	--
C KAPITAL INWEST a.s.	--	100
CPI - Horoměřice, a.s.	--	26 120
CPI - Residential, a.s.	--	26 844
Družstvo Reality "v likvidaci"	--	87
Krč Property Development, a.s. "v likvidaci"	--	325
Novegro, a.s.	--	2 043
RealCore s.r.o.	--	2 407
Statenice Property Development, a.s.	--	343 699
M.T.J. Consulting, a.s.		2 380
Total proceeds from disposal of subsidiaries and associates	**448 200**	**404 005**
Carrying value of subsidiary and related cost to sell		
Baumarkt České Budějovice s.r.o.	-72 231	**--**
CB Property Development, a.s.	-177 000	**--**
Farhan, a.s.	-122 000	**--**
Lockhart, a.s.	-77 000	**--**
C KAPITAL INWEST a.s.	--	-511 610
CPI - Horoměřice, a.s.	--	-2 000
CPI - Residential, a.s.	--	-12 340
Družstvo Reality "v likvidaci"	--	-763
Krč Property Development, a.s. "v likvidaci"	--	-1 000
Novegro, a.s.	--	-2 129
RealCore s.r.o.	--	-5 267
Statenice Property Development, a.s.	--	-324 820
M.T.J. Consulting, a.s.	--	-40 000
Total carrying value of subsidiaries disposed and related cost to sell	**-448 231**	**-899 929**

in thousand Czech crowns (TCZK)

(continued)	2011	2010
Net gain / (loss) on the disposal of subsidiaries		
Baumarkt České Budějovice s.r.o.	-31	**--**
CB Property Development, a.s.	--	**--**
Farhan, a.s.	--	**--**
Lockhart, a.s.	--	**--**
C KAPITAL INWEST a.s.	--	-511 510
CPI - Horoměřice, a.s.	--	24 120
CPI - Residential, a.s.	--	14 504
Družstvo Reality "v likvidaci"	--	-676
Krč Property Development, a.s. "v likvidaci"	--	-675
Novegro, a.s.	--	-86
RealCore s.r.o.	--	-2 860
Statenice Property Development, a.s.	--	18 879
M.T.J. Consulting, a.s.	--	-37 620
Total loss on the disposal of subsidiaries	**-31**	**-495 924**

in thousand Czech crowns (TCZK)

4.6 Impairment of assets (-) / Reversal of impairment (+) of assets

As a result of the annual impairment test carried out in accordance with relevant accounting policies, the Company decided to charge through the statement of comprehensive income impairment of assets described in table below:

	2011	2010
Reversal of impairment (+) / Impairment (-) of financial investments(1)	22 668	-316 755
Impairment (-) of property, plant and equipment	-273	--
Impairment (-) / reversal of impairment (+) of trade receivables (2)	-1 137	1 683
Impairment (-) of other receivables (2)	-19 277	-53
Total	**1 981**	**-315 125**

(1) The Company recognized gain on reversal of financial investments' impairment of TCZK 22 668 in 2011. The positive effect of impairment reversal of TCZK 83 139 related to Carpenter Invest, a.s. reflecting increase in net assets of the subsidiary. The offseting impairment loss related mainly to the impairment of TCZK 50 000 related to Bageleot, a.s.

In 2010, the Company disclosed financial investments' impairment of TCZK 645 456. The expense was mainly attributable to the impairrment of TCZK 164 619 of CPI - Land Development, a.s. and to Conradian, a.s. with impairment of TCZK 110 000.

(2) Impairment losses on trade and other receivables include bad debt provisions charged to profit or loss and gain or loss related to receivables written off. For further information related to monitoring of credit risk exposure refer to Note 7.1 Credit risk.

4.7 Other income

	2011	2010
Release of unused provisions	187	--
Insurance claims	97	13
Other	254	39
Total	**538**	**52**

4.8 Other expenses

	2011	2010
Taxes and fees	-52	-37
Penalties	-87	-1 273
Gifts	-320	-340
Property under construction writte off	-1 019	--
Other	-69	-14
Total	**-1 547**	**-1 664**

in thousand Czech crowns (TCZK)

4.9 Finance income

	2011	2010
Bank interest income	903	270
Interest income on bonds (1)	33 782	13 647
Interest income on loans and receivables (2)	358 109	206 444
Net foreign exchange gain (3)	101 313	13 540
Dividends received from subsidiaries(4)	--	580 000
Gain from own shares sold (5)	--	19 231
Other finance income	763	667
Total	**494 870**	**833 799**

(1) Increase in Interest income on bonds primarily relates to bonds issued by ISTROKAPITAL CZ a.s. (refer to note 5.4). The Group acquired these bonds in July 2010 and sold in December 2011.

(2) Increase in interest on loans corresponds with increase in volume of loans provided during 2011 including loan provided to CPI Finance Netherlands B.V. (refer to note 5.9).

(3) Net foreign exchange gain includes realised as well as unrealised foreign exchange gains and losses.

(4) In 2010, the Company received dividends of TCZK 464 000 from CPI BYTY, a.s. and TCZK 116 000 from Prague Development Holding, a.s.

(5) In 2008 the Company became a 100% shareholder of Včela, a.s. owing 31,84% share of the Company's shares (435 197 shares in total nominal value of TCZK 348 158). As a result of merger with Včela, a.s. (registered on 16 March 2009) the Company as a successor became a holder of its own shares. In 2010 the Company sold own shares in carrying value of TCZK 328 927 and gain of TCZK 19 231 was recognized.

4.10 Finance expense

	2011	2010
Interest expense related to bank and non-bank loans (1)	-485 710	-122 365
Interest expense on bonds issued (2)	-141 038	-122 500
Interest expense on other non-current liabilities	-54 169	-107 887
Bank charges (3)	-20 053	-3 878
Other finance cost (4)	-165	-19
Total	**-701 135**	**-356 649**

(1) Significant increase in interest expense relates mainly to extended volume of interest-bearing loans drawn from related parties including loan drawn from CPI Finance Netherlands B.V. (refer to note 5.9).

(2) Increase in interest on bonds is mainly due to new bonds issued in 2010. On 28 June 2010 CPI BYTY, a.s. has subscribed 491 bonds CPI 2021.

(3) Increase in bank charges relates primarily to arrangement of Company's overdraft extension and to arrangement of new loan facilities drawn by Company's subsidiaries.

(4) Other finance cost includes loss of TCZK 161 on the sale of bonds of ISTROKAPITAL CZ realized in December 2011. Total proceeds from the sale amounted to TCZK 303 066, carrying value of bonds sold including aliquot interest was TCZK 303 227 (refer also to note 5.4).

in thousand Czech crowns (TCZK)

4.11 Taxation

Income tax expense recognised in profit and loss

	2011	2010
Current income tax expense		
Current year	-1 257	--
Adjustment for prior years	-1 544	--
Total	-2 801	--
Deferred income tax income		
Origination and reversal of temporary differences	41 671	3 120
Total	**41 671**	**3 120**
Income tax from continuing operations recognised in profit or loss	**38 870**	**3 120**
Total income tax recognised in profit or loss	**38 870**	**3 120**

Reconciliation of effective tax rate

	2011	2010
Loss for the period	-223 115	-348 529
Total income tax income recognised in profit or loss	38 870	3 120
Loss before income tax	**-261 985**	**-351 649**
Nominal corporate income tax rate	19%	19%
Income tax income using the nominal corporate income tax rate	49 777	66 813
Non-deductible expense	-5 017	-167 384
Tax exempt income	5 301	110 552
Income tax adjustment for prior years	-1 544	--
Change in the permanent tax differences	-9 559	-15 250
Recognition / derecognition of tax losses from previous years	--	8 393
Other effects	-88	-4
Income tax income recognized in profit or loss	**38 870**	**3 120**

Current income tax liability

The current income tax liability of TCZK 595 (2010 – current income tax assets TCZK 3 686) represents the amount of income tax to be paid in respect of current and prior periods.

in thousand Czech crowns (TCZK)

Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Investment property	--	--	-8 448	-8 380	-8 448	-8 380
Property, plant and equipment	4 839	3 580	--	--	4 839	3 580
Intangible assets	--	--	--	-1 355	--	-1 355
Loans provided	1 938	--	--	--	1 938	--
Interest-bearing loans and borrowings	--	--	-72 557	--	-72 557	--
Trade and other receivables	4 819	5 035	--	--	4 819	5 035
Trade and other payables	--	--	-4 154	-4 828	-4 154	-4 828
Other items	--	8	--	--	--	8
Deferred tax assets/(liabilities)	**11 596**	**8 623**	**-85 159**	**-14 563**	**-73 563**	**-5 940**
Set-off of tax	**--**	**--**	**--**	**--**	**--**	**--**
Net deferred tax assets/(liabilities)	**11 596**	**8 623**	**-85 159**	**-14 563**	**-73 563**	**-5 940**

Unrecognized deferred tax assets

Deferred tax assets were not recognized with respect following items:

	2011	2010
Trade and other receivables	7 670	3 248
Unrecognized deferred tax assets	**7 670**	**3 248**

in thousand Czech crowns (TCZK)

Movement in temporary differences during the year

2011

	Balance at 1 January 2011	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2011
Investment property	-8 380	-68	--	-8 448
Property, plant and equipment	3 580	1 259	--	4 839
Intangible assets	-1 355	1 355	--	--
Loans provided	--	-9 498	11 436	1 938
Interest-bearing loans and borrowings	--	48 173	-120 730	-72 557
Trade and other receivables	5 035	-216	--	4 819
Trade and other payables	-4 828	674	--	-4 154
Other items	8	-8	--	--
Total	**-5 940**	**41 671**	**-109 294**	**-73 563**

2010

	Balance at 1 January 2010	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2010
Investment property	-7 065	-1 315	--	-8 380
Property, plant and equipment	3 536	44	--	3 580
Intangible assets	-818	-537	--	-1 355
Trade and other receivables	5 257	-222	--	5 035
Trade and other payables	-9 981	5 153	--	-4 828
Other items	11	-3	--	8
Total	**-9 060**	**3 120**	**--**	**-5 940**

in thousand Czech crowns (TCZK)

5 Statement of financial position

5.1 Investment property

At 31 December 2011

	Land bank	*Total*
Balance at 1 January 2011	68 510	68 510
Transfer to property, plant and equipment	-357	-357
Valuation gain	357	357
Balance at 31 December 2011	68 510	68 510

At 31 December 2010

	Land bank	*Total*
Balance at 1 January 2010	61 608	61 608
Valuation gain	6 902	6 902
Balance at 31 December 2010	68 510	68 510

Investment property represents land portfolio in Prague (Klíčov and Vysočany) and near Kladno (Bratronice u Kladna).

5.2 Property, plant and equipment

2011

	Plant and equipment	Finance leases	Property under construction	Advances paid	Other	Total
Cost						
Balance at 1 January 2011	9 257	1 233	19 616	6 409	71	36 586
Additions	587	--	668	--	--	1 255
Disposals	--	--	-1 019	--	--	-1 019
Tranfer from investment property	357	--	--	--	--	357
Balance at 31 December 2011	**10 201**	**1 233**	**19 265**	**6 409**	**71**	**37 179**
Accumulated depreciation and impairment losses						
Balance at 1 January 2011	5 338	700	18 575	6 136	--	30 749
Depreciation for the period	849	163	--	--	--	1 012
Impairment loss/ (reversal of impairment loss)	--	--	--	273	--	273
Balance at 31 December 2011	6 187	863	18 575	6 409	--	32 034
Carrying amounts						
At 1 January 2011	**3 919**	**533**	**1 041**	**273**	**71**	**5 837**
At 31 December 2011	**4 014**	**370**	**690**	**--**	**71**	**5 145**

in thousand Czech crowns (TCZK)

2010

	Property, plant and equipment	*Finance leases*	*Property under construction*	*Advances paid*	*Other*	*Total*
Cost						
Balance at 1 January 2010	7 592	1 233	20 967	6 431	71	36 294
Additions	1 665	--	1 872	852	--	4 389
Disposals	--	--	-3 223	-874	--	-4 097
Balance at 31 December 2010	**9 257**	**1 233**	**19 616**	**6 409**	**71**	**36 586**
Accumulated depreciation and impairment losses						
Balance at 1 January 2010	4 274	484	18 575	6 136	--	29 469
Depreciation for the period	1 064	216	--	--	--	1 280
Balance at 31 December 2010	5 338	700	18 575	6 136	--	30 749
Carrying amounts						
At 1 January 2010	**3 318**	**749**	**2 392**	**295**	**71**	**6 825**
At 31 December 2010	**3 919**	**533**	**1 041**	**273**	**71**	**5 837**

Additions 2010

In 2010, additions are mainly attributable to new cars acquired.

Disposals

In 2011 as well as in 2010, disposals are mainly attributable to development cost written off due to unrealised and cancelled projects.

In connection with annual impairment test, the Company charged an impairment of TCZK 273 to profit or loss on property, plant and equipment (2010 – 0).

5.3 Intangible assets

2011

	Software	*Total*
Cost		
Balance at 1 January 2011	14 987	14 987
Additions	278	278
Balance at 31 December 2011	15 265	15 265
Amortisation and impairment losses		
Balance at 1 January 2011	6 197	6 197
Amortisation for the period	1 756	1 756
Balance at 31 December 2011	7 953	7 953
Carrying amounts		
At 1 January 2011	8 790	8 790
At 31 December 2011	7 312	7 312

in thousand Czech crowns (TCZK)

2010

	Software	*Total*
Cost		
Balance at 1 January 2010	14 288	14 288
Additions	699	699
Balance at 31 December 2010	14 987	14 987
Amortisation and impairment losses		
Balance at 1 January 2010	4 514	4 514
Amortisation for the period	1 683	1 683
Balance at 31 December 2010	6 197	6 197
Carrying amounts		
At 1 January 2010	9 774	9 774
At 31 December 2010	8 790	8 790

5.4 Other investments

Non-current investments

The Company has following equity investments with the ownership interest not exceeding 10%.

	2011	**2010**
Vodovody a kanalizace Přerov, a.s. (share 1,60%)	6 782	6 782
Vodovody a kanalizace Hodonín, a.s. (share 1,99%)	4 614	4 614
COOP Centrum Družstvo*	300	300
STRM Delta a.s. (share 0,07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	--
Total	11 766	11 746

*information was not available as of the date of financial statements

The Group obtained dividends of TCZK 48 (2010 – 0 TCZK) from Vodovody a kanalizace Hodonín, a.s. in 2011.

Current investments

	2011	**2010**
Bonds (incl. accrued aliquot interest)	--	301 625
Total	--	301 625

In 2010, current investments included bonds issued by ISTROKAPITAL CZ a.s. of TCZK 301 625. Bonds bear fixed interest of 10% per annum and mature on 10 December 2016.

The bonds were sold in December 2011. Total proceeds from the sale amounted to TCZK 303 066, carrying value of bonds sold including aliquot interest was TCZK 303 227. Loss on the sale of TCZK 161 is dislosed within “Other finance costs”.

in thousand Czech crowns (TCZK)

5.5 Loans provided

	2011 Balance	2011 Average interest rate	2010 Balance	2010 Average interest rate
Non-current loans provided				
Loans provided to entities under direct or indirect control	3 266 669	5,18%	3 078 220	5,34%
Loans provided to other related parties	--	--	1 861	4,60%
Loans provided to joint ventures/associates	49 808	5,00%	--	--
Loans provided to third parties	315 037	6,17%	3 228 168	5,86%
Total	**3 631 514**		**6 308 249**	

	2011 Balance	2011 Average interest rate	2010 Balance	2010 Average interest rate
Current loans provided				
Loans provided to entities under direct or indirect control	2 968 001	6,38%	670 785	6,00%
Loans provided to other related parties	3 612	3,50%	1 253	1,40%
Loans provided to joint ventures/associates	16 860	5,00%	--	--
Loans provided to third parties	1 108 407	7,69%	479 586	5,86%
Total	**4 096 880**		**1 151 624**	

Balances of non-current loans include loan principal and unpaid non-current interest. Balances of current loans include loan principal, unpaid interest related to current loans and current portion of unpaid interest related to non-current loans.

The Company provides 22 non-current loans to third parties (2010 – 34) with interest rates between 2% and 10% (2010 – between 2,10% and 10%) and 37 current loans to third parties (2010 – 12) with interest rate between 2% and 10% (2010 – between 4,50% and 10%).

The Company provides 46 non-current loans to entities under direct or indirect control (2010 –40) with interest rates between 3,15% and 8% (2010 – between 1,40% and 9%) and 22 current loans to entities under direct or indirect control (2010 – 2) with interest rate between 4% and 7% (2010 – between 0% and 9,75%).

Significant decrease in loans provided to third parties primarily reflects the Group’s financial management strategy applied in 2011.

The maturity of non-current loans provided as at 31 December 2011 and as at 31 December 2010 is as follows:

2011

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	5 589	2 029 169	1 231 911	3 266 669
Loans provided to joint ventures/associates	--	49 808	--	49 808
Loans provided to third parties	14 083	214 917	86 037	315 037
Total	**19 672**	**2 293 894**	**1 317 948**	**3 631 514**

in thousand Czech crowns (TCZK)

2010

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	95 723	2 143 375	839 122	3 078 220
Loans provided to other related parties	1861	--	--	1 861
Loans provided to third parties	695 594	1 601 152	931 422	3 228 168
Total	**793 178**	**3 744 527**	**1 770 544**	**6 308 249**

5.6 Trading property

	2011	2010
Projects under development	182	533
Total	**182**	**533**

5.7 Trade and other receivables

Non-current

	2011	2010
Advances paid for financial investment	12 495	39 411
Receivables acquired through assignment	837 781	19 939
Other receivables due from third parties	--	1 547
Total non-current receivables	**850 276**	**60 897**
Impairment to Advances paid for financial investment	1 939	--
Total trade and other receivables net of impairment	**848 337**	**60 897**

(1) Advances paid for financial investments as of 31 December 2010 included prepayment of TCZK 30 000 for 20% share in CPI - Bor, a.s. On 4 January 2011, the Company acquired remaining 20% interest of the shares of CPI - Bor, a.s., increasing its ownership interest to 100%. Acquisition price of TCZK 30 000 was settled against advance paid.

(2) The balance primarily represent an agreement concluded on 30 November 2011 on assignment of receivables and acquired receivables in nominal amount of TCZK 611 245 that are due on 27 January 2015.

The acquisition price equals to the nominal value of the receivables. The purpose of the transaction is optimalization and concentration of portfolio of receivables due from third parties. Receivables are unsecured.

in thousand Czech crowns (TCZK)

Current

	2011	2010
Trade receivables due from entities under direct or indirect control	128 095	71 747
Trade receivables due from other related parties	103	114
Trade receivables due from joint ventures/associates	4 120	106
Trade receivables due from third parties	79 120	75 472
Receivables from sale of subsidiaries (1)	1 307 675	3 064 914
Receivables from sale of receivables (2)	2 354 437	2 421 072
Receivables acquired through assignment (3)	1 306 269	183 775
Receivables due from employees	--	8
Other receivables due from entities under direct or indirect control	1 042 415	17 963
Other receivables due from other related parties	6 353	9 708
Other receivables due from third parties	31 953	11 293
Total current receivables	**6 260 540**	**5 856 172**
Impairment to trade receivables due from third parties	17 191	16 056
Impairment to other receivables due from third parties	21 239	1 037
Total impairment to current receivables	**38 430**	**17 093**
Total trade and other receivables net of impairment	**6 222 110**	**5 839 079**

(1) Receivables from sale of subsidiaries comprise mainly receivable of TCZK 1 011 746 from the sale of Best Properties South, a.s. in 2009. The receivable is due on 30 April 2012 (refer to note 9).

(2) Receivables from sale of receivables comprise mainly receivable of TCZK 1 527 254 from Best Properties South, a.s. sold to the third party. The receivable is due on 30 April 2012 (refer to note 9).

(3) The balance consist primarily from an agreement concluded by the Group on 13 June 2011 on assignment of receivables and acquired receivables in the amount of TCZK 1 143 672 that are due on 12 June 2012.

The acquisition price equals to the nominal value of the receivables. The purpose of the transaction is optimalization and concentration of portfolio of receivables due from third parties. Receivables are unsecured.

5.8 Cash and cash equivalents

	2011	2010
Bank balances	15 525	8 563
Cash on hand	3 297	36 259
Total	**18 822**	**44 822**

in thousand Czech crowns (TCZK)

5.9 Equity

Changes in equity

The statement of changes in equity is presented on the face of the financial statements.

Share capital and share premium

pcs	Ordinary shares	
	2011	**2010**
Issued at 1 January	3 866 873	1 366 873
New shares issued and paid in the year	1 668 302	2 500 000
Issued at 31 December	**5 535 175**	**3 866 873**

The subscribed capital of the Company as at 31 December 2011 was TCZK 4 428 140 (2010 – TCZK 3 093 498), comprising 5 535 175 shares (2010 – 3 866 873 shares), each with a nominal value of CZK 800 (2010 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up.

In 2011, there was a subscription of new shares and increase in the capital of the Company by TCZK 1 457 442, of which share capital in nominal value by TCZK 1 334 642 and share premium by TCZK 122 800. Subsequently, receivable from subscription was set-off with liabilities recorded by the Company.

Other capital funds

Increase in other capital funds by TCZK 1 000 000 is attributable to cash contribution paid by the sole shareholder in 2011.

Legal reserve

Under Czech legislation, in the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of share capital) to the legal reserve. In subsequent years, the legal reserve is allocated a minimum 5% of profit after tax determined under Czech accounting standards until the legal reserve reaches 20% of share capital. The legal reserve can only be used to cover accumulated losses.

As a result of merger of the Company with Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. the legal reserve increased by TCZK 18 400 (note 3.2).

Other changes in equity

Merger

As a result of merger of the Company (as the successor company) with Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. the retained earnings increased by TCZK 540 945 (refer to note 3.2).

Initial measurement of interest-free and low-interest loans provided and drawn

The Company recognised in 2011 loan provided by subsidiary CPI Finance Netherland B.V. with 0 % nominal interest rate at its amortized costs. The amortized costs were calculated using 8 % effective interest rate and the difference in the amount of TCZK 575 235 between nominal value of the loan and its amortised cost was credited against equity of the Company. The Company also recognised related deferred tax liability in the amount of TCZK 109 294 as direct debit to the equity, refer also to Note 4.11.

in thousand Czech crowns (TCZK)

Earnings per share

Basic earnings per share in 2011

Loss attributable to ordinary shareholders

	Continuing operations	Discontinued operations	Total
Loss attributable to ordinary shareholders for the year ended 31 December 2011	-223 115	--	-223 115
Net loss attributable to ordinary shareholders	- 223 115	--	- 223 115

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
Earnings per share 2011 (CZK)			**-56,11**

Diluted earnings per share in 2011

Loss attributable to ordinary shareholders (diluted)

	Continuing operations	Discontinued operations	Total
Loss attributable to ordinary shareholders for the year ended 31 December 2011	-223 115	--	-223 115
Net loss attributable to ordinary shareholders	- 223 115	--	- 223 115

Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
Diluted earnings per share 2011 (CZK)			**-56,11**

Basic earnings per share in 2010

Loss attributable to ordinary shareholders

	Continuing operations	Discontinued operations	Total
Net loss attributable to ordinary shareholders for the year ended 31 December 2010	-348 529	--	-348 529
Net loss attributable to ordinary shareholders	**-348 529**	**--**	**-348 529**

in thousand Czech crowns (TCZK)

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2010	1 366 873	1,0000	1 366 873
New shares issued (2 February 2010)	625 000	0,9123	570 205
New shares issued (23 November 2010)	1 875 000	0,1041	195 205
Issued ordinary shares at 31 December 2010	3 866 873		2 132 283
Weighted aver. number of ordinary shares at 31 December 2010			2 132 283
Earnings per share 2011 (CZK)			**-163,45**

Diluted earnings per share in 2010

Loss attributable to ordinary shareholders (diluted)

	Continuing operations	Discontinued operations	Total
Net loss attributable to ordinary shareholders for the year ended 31 December 2010	-348 529	--	-348 529
Net loss attributable to ordinary shareholders	**-348 529**	**--**	**-348 529**

Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2010	1 366 873	1,0000	1 366 873
New shares issued (2 February 2010)	625 000	0,9123	570 205
New shares issued (23 November 2010)	1 875 000	0,1041	195 205
Issued ordinary shares at 31 December 2010	3 866 873		2 132 283
Weighted aver. number of ordinary shares at 31 December 2010			2 132 283
Diluted earnings per share 2011 (CZK)			**-163,45**

in thousand Czech crowns (TCZK)

5.10 Interest bearing loans and borrowings

Non-current

	2011	2010
Loans drawn from entities under direct or indirect control	4 500 621	857 520
Loans drawn from to other related parties	10 594	10 594
Loans drawn from third parties	265 922	152 186
Finance lease liaibilities	--	130
Bills of exchange	25 655	--
Total	**4 802 792**	**1 020 430**

Current

	2011	2010
Loans drawn from entities under direct or indirect control (1)	6 269 716	1 057 756
Loans drawn from to other related parties	1 247	706
Loans drawn from third parties	1 125 085	953 139
Finance lease liaibilities	--	54
Bills of exchange	17 381	--
Total	**7 413 429**	**2 011 655**

Maturity analysis of loans from third parties is as follows:

2011

	< 1 year	1-5 years	>5years	Total
Loans from entities under direct or indirect control	6 269 716	861 729	3 638 892	10 770 337
Loans from to other related parties	1 247	10 594	--	11 841
Loans from third parties	1 125 085	226 076	39 846	1 391 007
Total	7 396 048	1 098 399	3 678 738	12 173 185

2010

	< 1 year	1-5 years	>5years	Total
Loans drawn from entities under direct or indirect control	1 057 756	857 520	--	1 915 276
Loans drawn from other related parties	706	10 594	--	11 300
Loans drawn from third parties	953 139	152 186	--	1 105 325
Total	2 011 601	1 020 300	--	3 031 901

in thousand Czech crowns (TCZK)

5.11 Bonds issued

	2011		2010	
	No. of bonds issued	Value	No. of bonds issued	Value
Non-current liabilities				
Proceeds from issued bonds - CPI var/12	--	--	65 000	650 000
Proceeds from issued bonds - CPI 2021	1 215	2 430 000	1 214	2 428 000
Less: bonds owned by the Company	-39	-78 000	-26	-52 000
Subtotal bonds - CPI 2021	1 176	2 352 000	1 188	2 376 000
Total non-currrent		**2 352 000**		**3 026 000**
Current liabilities				
Proceeds from issued bonds - CPI var/12	65 000	650 000	--	--
Accrued interest bonds - CPI 2021		231 286		149 520
Accrued interest bonds - CPI var/12		6 313		6 329
Total current		**887 599**		**155 849**
Total		**3 239 599**		**3 181 849**

(1) CPI var/12

CPI var/12 bonds were issued on 22 March 2005 and mature on 22 March 2012. The nominal value of each bond is TCZK 10 and the total nominal value of bonds issued amounts to TCZK 650 000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI var/12, ISIN CZ0003501447). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 March 2005, reference number 45/N/7/2005/2 that came into force on 14 March 2005. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI var/12 bear the interest rate based on 6M PRIBOR + 2% margin. Interests are due semiannualy, on 22 March and 22 September respectively.

With respect to bonds’ maturity in March 2012, the liability was reclassified to current liabilities as at 31 December 2011.

(2) CPI 2021

CPI 2021 bonds were issued on 8 February 2007. The bonds mature on 8 August 2021. The nominal value of each bond is TCZK 2 000 and the total nominal value of bonds issued amounts to TCZK 2 430 000. Entities under direct or indirect control of the Company hold 886 bonds in total nominal value of TCZK 1 772 000. Bondholders outside the Group hold 290 bonds in total nominal value of TCZK 580 000. The Group could issue bonds up to maximum value of TCZK 2 500 000 (1 250 bonds with nominal value of TCZK 2 000 each).

in thousand Czech crowns (TCZK)

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 2021, ISIN CZ0003501496). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 17 January 2007, reference number 45/N/175/2006/4 that came into force on 22 January 2007. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI 2021 bear the interest rate based on 6M PRIBOR + 3,5% margin. Interests are due semiannualy, on 8 February and 8 August respectively.

5.12 Bank overdrafts

Bank overdrafts amounted to TCZK 2 248 678 as at 31 December 2011 (2010 – TCZK 978 974). Overdraft was drawn for the purpose of operating activities as well as for financing of acquisitions.

The outstanding balance as at 31 December 2011 was fully repaid in April 2012.

5.13 Trade and other payables

Non-current

	2011	2010
Payables from acquisitions of subsidiaries (1)	889 017	864 502
Payables related to assignment of receivables – due to related parties	38 875	10 432
Tenant deposits	61	--
Total	**927 953**	**874 934**

(1) Payables relating to acquisitions of subsidiaries in 2008 are due on 31 December 2017.

Current

	2011	2010
Trade payables due to entities under direct or indirect control (1)	124 481	3 352
Trade payables due to third parties (2)	66 622	47 611
Payables from acquisitions of subsidiaries (3)	68 027	435 477
Payables related to assignment of receivables – due to related parties (4)	1 685 543	1 319 020
Other payables due to other related parties	189 788	85 407
Other payables due to third parties (5)	28 304	4 239 381
Total	**2 162 765**	**6 130 248**

(1) Trade payables primarily relate to services provided based on mandate contracts by Company's subsidiaries as described in note 4.1.

(2) Increase in trade payables due to third parties is mainly attributable to increase in legal and advisory services provided in 2011 (refer also to Note 4.2).

(3) In November and December 2010, the Company acquired Malerba, a.s., CPI Hotels Properties, a.s. and Office Center Stodulky, a.s. The resulting payables remained unpaid at 31 December 2010 and were settled in 2011.

(4) Payables relate to receivables assigned by entities under direct or indirect control (note 6.5) and reflect the Group's financial management applied.

(5) Balance of other payables in 2010 included primarily advances received. These advances were offset with Group's other receivables and loans provided in 2011.

6 Financial risk management

Exposure to various risks arises in the normal course of the Company's business. Financial risk comprises:

- credit risk (refer to Note 6.1)
- liquidity risk (refer to Note 6.2)
- market risk including currency risk and interest rate risk (refer to Note 6.3)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Supervision of the Company's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

6.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is managed on a Company level. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities including deposits with banks and financial institutions, loans provided to third parties and other financial instruments.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Customer credit risk is managed reflecting the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

Within the Company, management process can be divided into two areas - assessing the creditworthiness before concluding the contract and requesting the appropriate forms of security when entering into contracts or if indication of reduction in creditworthiness of the debtor for contracts already concluded. Creditworthiness of debtor is being judged individually. Payments for ancillary services provided are generally received in advance, thereby reducing the risk of unpaid debt.

Before granting a loan Company evaluates the creditworthiness of the borrower and the risk assessment if the loan requires collateral.

In respect of cash and cash equivalents the Company has bank accounts with prestigious banking institutions, where mminimum risk is expected.

Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by Division managers who decide on the pre-litigious or litigious action to be taken.

The Company applies the following rules to calculate the provision for doubtful accounts:

- 50% of receivables due for more than 6 months;
- 100% of receivables due for more than 12 months.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

in thousand Czech crowns (TCZK)

The following tables present financial assets as of 31 December 2011 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk concentration at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	18 822	--	--	18 822
Trade and other receivables	3 850 737	3 179 341	40 369	7 070 447
Loans provided	6 961 743	766 651	--	7 728 394
Total	**10 831 302**	**3 945 992**	**40 369**	**14 817 663**

Breakdown of overdue financial assets which are not impaired at 31 December 2011:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	11 903	154 317	5 952	9 786	2 997 383*	3 179 341
Loans provided	--	1 436	1 694	193 804	569 717**	766 651
Total	**11 903**	**155 753**	**7 646**	**203 590**	**3 567 100**	**3 945 992**

* In March 2012 the Company has finalised renegotiation of payment terms for receivables in total amount of MCZK 2 539. The Company does not expect any potential losses from these receivables. Refer to note 9.
** Thereof balance of loans provided to group companies represents TCZK 523 999.

Credit risk concentration at 31 December 2010:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	44 822	--	--	44 822
Trade and other receivables	1 042 328	4 840 555	17 093	5 899 976
Loans provided	6 854 414	605 459	--	7 459 873
Purchased bonds	301 625	--	--	301 625
Total	**8 239 836**	**5 446 014**	**17 093**	**13 702 943**

Breakdown of overdue financial assets which are not impaired at 31 December 2010:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	18 520	17 954	1 231	235 832	4 567 018	4 840 555
Loans provided	14 915	--	--	92 925	497 619	605 459
Total	**33 435**	**17 954**	**1 231**	**328 757**	**5 064 637**	**5 446 014**

in thousand Czech crowns (TCZK)

6.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Company does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited due to diversified maturity of the Company's liabilities and diversified portfolio of the Company's funding sources.

The Company manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Company's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Company may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Company monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

Liquidity risk analysis

The following table summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Company's liabilities based on contractual maturity and includes non-derivative as well as derivate financial liabilities. The table includes both interest and principal cash flows.

At 31 December 2011

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
Loans drawn from entities under direct or indirect control	10 770 337	--	6 683 517	--	1 089 225	5 785 838	13 558 581
Loans drawn from to other related parties	11 841	--	1 247	--	12 501	--	13 748
Loans from third parties	1 391 007	121 498	1 069 021	--	299 793	53 654	1 543 966
Bank loans incl. overdrafts	2 248 678	2 248 678	--	--	--	--	2 248 678
Bonds issued	3 239 599	881 286	6 313	--	--	3 351 600	4 239 199
Bills of exchange	43 036	--	17 381	25 655	--	--	43 036
Trade and other payables	3 090 718	892 696	1 270 069	--	61	927 892	3 090 718
Total	**20 795 216**	**4 144 158**	**9 047 548**	**25 655**	**1 401 580**	**10 118 984**	**24 737 926**

in thousand Czech crowns (TCZK)

At 31 December 2010

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
Loans drawn from entities under direct or indirect control	1 915 276	--	1 113 182	80 763	914 514	--	2 108 460
Loans drawn from to other related parties	11 300	--	706	--	10 594	--	11 300
Loans drawn from third parties	1 105 325	801 563	177 067	5 346	175 285	--	1 159 261
Bank loans incl. overdrafts	978 974	978 974	--	--	--	--	978 974
Bonds issued	3 181 849	155 849	--	680 225	--	3 743 163	4 579 237
Finance lease liabilities	184	17	51	136	6	--	210
Trade and other payables	7 005 182	5 664 026	466 222	--	--	1 325 872	7 456 120
Total	**14 198 090**	**7 600 429**	**1 757 228**	**766 470**	**1 100 399**	**5 069 035**	**16 293 561**

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

Effective interest rate and repricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they reprice.

2011

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	6,60%	10 770 337	--	--	10 770 337
Loans drawn from to other related parties	6,00%	11 841	--	--	11 841
Loans drawn from third parties	6,52%	1 391 007	--	--	1 391 007
Bonds issued	4,70%	3 002 000	--	3 002 000	--
Total		**15 175 185**	**--**	**3 002 000**	**12 173 185**

2010

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	5,24%	1 915 276	--	--	1 915 276
Loans drawn from to other related parties	6,00%	11 300	--	--	11 300
Loans drawn from third parties	5,94%	1 105 325	--	--	1 105 325
Finance lease liaibilities	7,14%	184	--	--	184
Bonds issued	4,83%	3 026 000	--	3 026 000	--
Total		**6 058 085**	--	**3 026 000**	**3 032 085**

6.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable paramentres while optimizing the return.

The Company's market risks mainly arise from open positions in (a) foreign currencies and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

The Company uses derivative financial instruments in an insignificant scope in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company.
Functional currency of the Company is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2011

	Currency	Carrying amount
Cash and cash equivalents	TEUR	274
Cash and cash equivalents	TUSD	2
Trade and other receivables	TEUR	1 949
Loans provided	TEUR	35 905
Trade and other payables	TEUR	-97
Interest bearing loans and borrowings	TEUR	-41 553
Net position	**EUR**	**-3 522**
Net position	**USD**	**2**

2010

	Currency	Carrying amount
Cash and cash equivalents	TEUR	12 074
Trade and other receivables	TEUR	180
Loans provided	TEUR	21 917
Trade and other payables	TEUR	-13 134
Interest bearing loans and borrowings	TEUR	-260
Net position	**EUR**	**20 777**
Net position	**USD**	**--**

Sensitivity analysis – exposure to currency risk

The following table presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the Company, with all other variables held constant.

A 10% strengthening of the Czech crown against the below currencies at 31 December 2011 would have increased the profit /(loss) before tax by TCZK 9 084 (2010 – decrease by TCZK 52 066). The analysis is performed on the same basis for 2010.

2011

	Original currency		TCZK	CZK depreciated by 10% to EUR	Change	CZK appreciated by 10% to EUR	Change
Cash and cash equivalents	TEUR	274	7 077	7 785	708	6 369	-708
	TUSD	2	40	44	4	36	-4
Trade and other receivables	TEUR	1 949	50 274	55 301	5 027	45 247	-5 027
Loans provided	TEUR	35 905	926 336	1 018 970	92 634	833 702	-92 634
Trade and other payables	TEUR	-97	-2 503	-2 753	-250	-2 253	250
Interest bearing loans and borrowings	TEUR	-41 553	-1 072 062	-1 179 268	-107 206	-964 856	107 206
Net exposure to currency risk	**T EUR**	**-3 522**	**-90 878**	**-99 966**	**-9 088**	**-81 790**	**9 088**
Net exposure to currency risk	**T USD**	**2**	**40**	**44**	**4**	**36**	**-4**
Total impact on profit/(loss)	**TCZK**				**-9 084**		**9 084**

2010

	Original currency		TCZK	CZK depreciated by 10% to EUR	Change	CZK appreciated by 10% to EUR	Change
Cash and cash equivalents	TEUR	12 074	302 564	332 820	30 256	272 308	-30 256
Trade and other receivables	TEUR	180	4 516	4 968	452	4 064	-452
Loans provided	TEUR	21 917	549 233	604 156	54 923	494 310	-54 923
Trade and other payables	TEUR	-13 134	-329 127	-362 040	-32 913	-296 214	32 913
Interest bearing loans and borrowings	TEUR	-260	-6 521	-7 173	-652	-5 869	652
Net exposure to currency risk	**TEUR**	20 777	520 665	572 722	52 066	468 599	-52 066
Total impact on profit/(loss)	**TCZK**				**52 066**		**-52 066**

b) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments are described under Notes 5.10 for financial assets and financial liabilities respectively.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is monitored by the Company's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Company's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

Loans provided by the Company require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Company are usually based on Company's borrowing interest rates.

As the loans provided are based on fixed rates the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. These obligations primarily include bonds issued.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A change of interest rates by 10% at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

2011

	Effective interest rate	Average amount	Interest calculated
Bonds issued	4,70%	3 002 000	141 094
Total		**3 002 000**	**127 585**

in thousand Czech crowns (TCZK)

2011

	Interest rate + 10%	Interest calculated	P/L effect	Interest rate - 10%
Bonds issued	5,17%	155 203	14 109	4,23%
Total		**155 203**	**14 109**	

2010

	Effective interest rate	Average amount	Interest calculated
Bonds issued	4,83%	2 534 000	122 500
Total		**2 534 000**	**122 500**

2010

	Interest rate + 10%	Interest calculated	P/L effect	Interest rate - 10%
Bonds issued	5,32%	134 750	12 250	4,35%
Total		**134 750**	**12 250**	

6.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

CPI as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Company's financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2011.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the statement of financial position.

The gearing ratios at 31 December 2011 and at 31 December 2010 were as follows:

2011

	2011	2010
Debt	20 869 374	14 204 030
Equity	7 888 618	4 629 005
Total	**265%**	**307%**

in thousand Czech crowns (TCZK)

6.5 Related parties

The Company has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholders and companies in which these parties held controlling or significant influence or are joint ventures.

The remuneration of key management personnel and members of Board of Directors are summarized in following table.

	2011	2010
Remuneration paid to key management personnel and members of Board of Directors	6 134	2 175
Total	**6 134**	**2 175**

Breakdown of balances between the Company and related parties is as follows:

Individual balances not exceeding TCZK 2 000 are dislosed within others.

Non-current receivables as at 31 December

	2011	2010
CPI BYTY, a.s.	250 407	--
Total non-current receivables due from entities under direct or indirect control	**250 407**	**--**
GANDOLF CONSULTANCY LIMITED	--	46 437
Total non-current receivables due from other related parties	**--**	**46 437**

in thousand Czech crowns (TCZK)

Trade receivables as at 31 December - current

	2011	2010
CPI City Center ÚL, a.s.	5 635	5 580
CPI Reality, a.s.	4 606	--
CPI Services, a.s.	3 555	5 994
Dunajská Streda Investments, s.r.o.	6 633	--
Komárno Investments, s.r.o.	7 742	--
Komárno Property Development,a.s.	3 912	3 843
Lipt. Mikuláš Property Development, a.s.	3 666	3 825
Michalovce Property Development, a.s.	3 330	3 303
MUXUM, a.s.	3 146	137
Náchod Investments, s.r.o.	2 888	--
Nymburk Property Development, a.s.	7 575	5 011
Office Star Fourteen, spol. s r.o.	4 104	--
Považská Bystrica Investments, s.r.o.	4 666	--
Považská Bystrica Property Development, a.s.	4 366	4 363
Prievidza Property Development, a.s.	3 473	3 647
Řepy Investments, s.r.o.	5 901	--
Třinec Property Development, a.s.	4 501	989
Zvolen Property Development, a.s.	3 898	3 760
Auto - priemyselný park, s.r.o. Lozorno	2 646	--
Balvinder, a.s.	2 788	--
Carpenter Invest, a.s.	2 106	861
CPI - Real Estate, a.s.	8 372	5 472
Ružomberok Property Development	2 596	2 527
Others	25 990	22 435
Total trade receivables due from entities under direct or indirect control	**128 095**	**71 747**
Horova Immo s.r.o.	2 290	--
Others	1 830	106
Total trade receivables due from joint ventures/associates	**4 120**	**106**
Trade receivables due from other related parties	**103**	**114**

in thousand Czech crowns (TCZK)

Other receivables as at 31 December - current

	2011	2010
CPI Finance, a.s.	577 647	--
Baudry, a.s.	376 000	--
Baudry Beta, a.s.	72 200	--
CPI - Real Estate, a.s.	7 000	7 000
MUXUM, a.s.	6 916	6 917
Others	2 652	4 046
Total other receivables due from entities under direct or indirect control	**1 042 415**	**17 963**
Radovan Vítek	4 329	4 329
GANDOLF CONSULTANCY LIMITED	--	93 358
Others	2 024	12 004
Total other receivables due from other related parties	**6 353**	**109 691**

Loans provided

Individual balances not exceeding TCZK 10 000 are dislosed within others.

2011

	< 1 year	2-5 years	> 5 let years	Total
CPI Finance Netherlands B.V.	1 529 795	--	--	1 529 795
Farhan, a.s.	--	544 258	--	544 258
Malerba, a.s.	23 884	376 496	--	400 380
Hraničář, a.s.	42 240	--	351 009	393 249
Bageleot, a.s.	393 094	--	--	393 094
CPI - Land Development, a.s.	18 491	32 337	250 228	301 056
CB Property Development, a.s.	18 832	249 051	--	267 883
Lockhart, a.s.	8 508	--	190 796	199 304
Carpenter Invest, a.s.	16 604	14 166	129 339	160 109
Vigano, a.s.	329	--	148 000	148 329
Svitavy Property Alfa, a.s.	130 054	--	--	130 054
CPI Services, a.s.	127 183	--	--	127 183
CPI - Real Estate, a.s.	21 220	38 998	54 178	114 396
U svatého Michala, a. s.	22 833	86 781	--	109 614
ABIGAIL, a.s.	39 787	63 129	--	102 916
CPI - Štupartská, a.s.	14 933	80 558	--	95 491
BAYTON SR, a.s.	94 826	--	--	94 826
MAPON, a.s.	1 807	90 982	--	92 789
Modřanská Property, a.s.	7 287	81 420	--	88 707
CPI Retails TWO, a.s.	79 253	--	--	79 253
Svitavy Property Development, a.s.	12 929	62 052	--	74 981
Družstvo Land	10 445	58 682	--	69 127
Baumarkt České Budějovice s.r.o.	4 142	64 237	--	68 379

in thousand Czech crowns (TCZK)

Loans provided in 2011 (continued)	**< 1 year**	**2-5 years**	**> 5 let years**	**Total**
Trutnov Property Development, a.s.	66 908	--	--	66 908
CPI Park Mlýnec, a.s.	5 741	--	56 981	62 722
CPI Retails ONE, a.s.	59 507	--	--	59 507
Vyškov Property Development, a.s.	6 208	--	45 897	52 105
Trenčin Property Development, a.s.	49 454	--	--	49 454
CPI Park Žďárek , a.s.	7 236	42 129	--	49 365
CPI - Orlová	8 132	38 861	--	46 993
CPI - Facility, a.s.	2 141	43 107	--	45 248
IGY2 CB, a.s.	35 900	--	--	35 900
Dunajská Streda Investments, s.r.o.	33 327	--	--	33 327
Mělník Investments, s.r.o.	25 134	--	--	25 134
Chrudim Investments, s r.o.	15 805	--	--	15 805
Telč Property Development a.s.	2 607	10 029	--	12 636
CPI - Krásné Březno, a. s.	1 236	9 336	--	10 572
Others	30 188	48 149	5 482	83 819
Total loans provided to entities under direct or indirect control	**2 968 001**	**2 034 759**	**1 231 910**	**6 234 669**
VT Alfa, a.s.	11 340	--	--	11 340
Others	5 520	49 808	--	55 328
Total loans provided to joint ventures/associates	**16 860**	**49 808**	**--**	**66 668**
Others	3 612	--	--	3 612
Total loans provided to other related parties	**3 612**	**--**	**--**	**3 612**

in thousand Czech crowns (TCZK)

2010

	< 1 year	2-5 years	> 5 let years	Total
CPI Reality, a.s.	511 000	--	--	511 000
CB Property Development, a.s.	4 021	432 138	--	436 159
Hraničář, a.s.	17 329	--	350 949	368 278
Office Center Stodůlky DELTA a.s.	--	355 782	--	355 782
Malerba, a.s.	4 882	272 425	--	277 307
Farhan, a.s.	--	275 420	--	275 420
Lockhart, a.s.	--	--	249 121	249 121
Carpenter Invest, a.s.	7 874	--	129 339	137 213
U svatého Michala, a.s.	17 584	85 343	--	102 927
Baumarkt České Budějovice s.r.o.	266	87 129	--	87 395
Malerba, a.s.	--	85 204	--	85 204
Modřanská Property, a.s.	3 157	80 027	--	83 184
CPI - Štupartská, a.s.	10 761	71 043	--	81 804
CPI - Real Estate, a.s.	17 592	--	61 996	79 588
Svitavy Property Development, a.s.	9 192	61 092	--	70 284
CPI - Land Development, a.s.	--	61 272	--	61 272
Družstvo Land	6 433	52 126	--	58 559
Vyškov Property Development, a.s.	6 782	--	47 717	54 499
CPI - Land Development, a.s.	13 187	32 337	--	45 524
CPI Park Žďárek, a.s.	4 719	40 578	--	45 297
CPI - Orlová, a.s.	5 770	38 391	--	44 161
Graciana, a.s.	768	41 791	--	42 559
CPI Services, a.s.	1 329	37 593	--	38 922
VM Property Development, a.s.	3 907	28 910	--	32 817
CPI Park Mlýnec, a.s.	2 791	29 209	--	32 000
CPI - Facility, a.s.	2 905	23 386	--	26 291
Carpenter Invest, a.s.	--	14 166	--	14 166
Others	18 536	33 736	--	52 272
Total loans provided to entities under direct or indirect control	**670 785**	**2 239 098**	**839 122**	**3 749 005**
Others	1 253	1 861	--	3 114
Total loans provided to joint ventures/associates	**1 253**	**1 861**	**--**	**3 114**

Non-current payables related to assignment of receivables at 31 December

	2011	2010
CPI Finance, a.s.	36 733	8 522
CPI Reality, a.s.	2 142	1 910
Total	**38 875**	**10 432**

in thousand Czech crowns (TCZK)

Payables related to assignment of receivables as at 31 December

	2011	2010
CPI BYTY, a.s.	249 291	374 590
CPI Finance, a.s.	1 178 417	--
CPI Reality, a.s.	85 130	26 692
Malerba, a.s.	49 738	--
Michalovce Property Development, a.s.	44 634	43 370
Považská Bystrica Property Development, a.s.	43 786	42 543
Nymburk Property Development, a.s.	9 504	9 256
Český Těšín Property Developme	7 863	7 863
Prievidza Property Development, a.s.	6 885	6 693
Komárno Property Development,	4 295	4 192
Zvolen Property Development, a.s.	2 222	2 196
Prague Development Holding, a.s.	--	797 890
Others	3 778	3 735
Total	**1 685 543**	**1 319 020**

Trade payables as at 31 December

	2011	2010
CPI Services, a.s.	80 378	--
CPI - Facility, a.s.	36 071	--
CPI Finance, a.s.	4 854	--
CPI Facility Slovakia, a.s.	2 382	--
Others	796	3 352
Total trade paybles due from entities under direct or indirect control	**124 481**	**3 352**

Liabilites related to bonds issued as at 31 December

	2011	2010
CPI BYTY, a.s.	1 496 000	1 496 000
CPI Reality, a.s.	76 000	76 000
CPI - Real Estate, a.s.	200 000	200 000
Prague Development Holding, a.s.	--	24 000
Total liabilities from bonds issued	**1 772 000**	**1 796 000**
CPI BYTY, a.s.	150 120	83 795
CPI Reality, a.s.	9 503	5 697
CPI - Real Estate, a.s.	21 065	16 306
Prague Development Holding, a.s.	--	1 799
Total accrued interest	**180 688**	**107 597**
Total liabilities related to bonds	**1 952 688**	**1 903 597**

in thousand Czech crowns (TCZK)

Other payables to other related parties as at 31 December

	2011	2010
Radovan Vítek	51 600	--
Other	138 188	85 407
Total	**189 788**	**85 407**

Loans drawn from entities under direct or indirect control/other related parties

2011

	< 1 year	2-5 years	> 5 let years	Total
CPI Finance Netherlands B.V.	5 541 556	--	3 629 000	9 170 556
CPI Finance, a.s.	85 733	438 386	--	524 119
CPI Finance Netherlands B.V.	500 561	--	--	500 561
CPI Reality, a.s.	29 209	126 570	--	155 779
Prague Property Development, s.r.o.	1 020	94 302	--	95 322
Hraničář, a.s.	3 646	49 915	--	53 561
CPI - Zbraslav, a. s.	3 357	34 629	--	37 986
Vigano, a.s.	2 147	27 030	--	29 177
Třinec Property Development, a.s.	26 363	--	--	26 363
Conradian, a.s.	969	23 300	--	24 269
Balvinder, a.s.	1 041	16 743	--	17 784
Office Star Three, spol. s r.o.	17 014	--	--	17 014
Carpenter Invest, a.s.	293	14 720	--	15 013
CPI - Bor, a.s.	756	13 668	--	14 424
Office Star Seven, spol. s r.o.	12 010	--	--	12 010
Komura, a.s.	523	11 200	--	11 723
TRIFIT Vysoké Mýto s.r.o.	11 037	--	--	11 037
Others	32 481	11 266	9 892	53 639
Total loans from entities under direct or indirect control	**6 269 716**	**861 729**	**3 638 892**	**10 770 337**
Others	1 247	10 594	--	11 841
Total loans from other related parties	**1 247**	**10 594**	**--**	**11 841**

in thousand Czech crowns (TCZK)

2010

	< 1 year	2-5 years	> 5 let years	Total
CPI Reality, a.s.	995 482	102 033	--	1 097 515
Prague Development Holding a.s	47 036	322 857	--	369 893
CPI Finance, a.s.	5 998	134 667	--	140 665
Hraničář, a.s.	1 066	76 155	--	77 221
CPI BYTY, a.s.	633	63 509	--	64 142
CPI - Zbraslav, a. s.	2 340	28 325	--	30 665
Třinec Property Development, a	1 717	23 859	--	25 576
Vigano, a.s.	1 000	20 951	--	21 951
Balvinder, a.s.	272	17 410	--	17 682
Conradian, a.s.	250	17 105	--	17 355
CPI - Bor, a.s.	468	10 668	--	11 136
Others	1 494	39 981	--	41 475
Total loans drawn from entities under direct or indirect control	**1 057 756**	**857 520**	**--**	**1 915 276**
Others	706	10 594	--	11 300
Total loans drawn from joint ventures/associates	**706**	**10 594**	**--**	**11 300**

During the year, the Company has entered into the following transactions with related parties:

in thousand Czech crowns (TCZK)

During the year, the Company has entered into the following transactions with related parties:

Sales

	2011	2010
CPI Reality, a.s.	10 390	--
CPI - Real Estate, a.s.	5 713	--
Farhan, a.s.	5 518	--
Hraničář, a.s.	5 431	9
Komura, a.s.	4 357	--
CPI Services, a.s.	4 053	5 352
Vyškov Property Development, a.s.	3 492	--
CB Property Development, a.s.	3 483	--
MUXUM, a.s.	2 622	--
Komárno Investments, s.r.o.	2 486	--
Balvinder, a.s.	2 224	--
Lockhart, a.s.	2 165	--
Auto - priemyselný park, s.r.o. Lozorno	2 154	--
Modřanská Property, a.s.	2 059	--
Dunajská Streda Investments, s.r.o.	2 035	--
MB Property Development, a.s.	2 006	--
Others	40 841	14 428
Total revenues related entities under direct or indirect control	**101 029**	**19 789**
Total revernues related to joint ventures/associates	**3 306**	**--**
Total sales	**104 335**	**19 789**

in thousand Czech crowns (TCZK)

Interest income

	2011	2010
Farhan, a.s.	27 684	420
Hraničář, a.s.	24 911	17 329
Malerba, a.s.	18 997	4 882
CB Property Development, a.s.	14 692	4 021
Marissa West, a.s.	8 983	--
Carpenter Invest, a.s.	8 730	8 058
Lockhart, a.s.	8 508	2 462
CPI - Land Development, a.s.	5 363	5 411
U svatého Michala, a.s.	5 249	4 524
CPI - Štupartská, a.s.	4 742	3 949
CPI Services, a.s.	4 416	1 329
Modřanská Property, a.s.	4 130	3 157
Baumarkt České Budějovice s.r.o.	3 868	266
Kerina, a.s.	3 750	--
Svitavy Property Development, a.s.	3 737	3 716
CPI - Real Estate, a.s.	3 628	3 406
Bageleot, a.s.	3 124	--
CPI Park Mlýnec, a.s.	2 950	753
Vyškov Property Development, a.s.	2 832	3 007
Beroun Property Development, a.s.	2 604	768
CPI Park Žďárek, a.s.	2 518	2 467
CPI - Orlová, a.s.	2 362	2 335
Družstvo Land	2 277	2 969
CPI - Facility, a.s.	2 141	2 905
Others	11 752	12 680
Total interest income related to entities under direct or indirect control	**183 948**	**90 814**
VT Holding, a.s.	4 388	--
VT Alfa, a.s.	2 278	--
Total interest income related to joint ventures/associates	**6 666**	**--**
Others	1 822	4 292
Total interest income related to other related parties	**1 822**	**4 292**
Total interest income	**192 436**	**95 106**

Purchases

	2011	2010
CPI - Facility, a.s.	31 915	360
CPI Facility Slovakia, a.s.	3 292	--
CPI Slovakia, a.s.	--	5 311
CPI Services, a.s.	91 495	9 680
Total purchases	**126 702**	**15 351**

in thousand Czech crowns (TCZK)

Interest expense

	2011	2010
CPI BYTY, a.s.	82 190	53 807
CPI Reality, a.s.	37 659	28 781
CPI Finance Netherland	24 284	--
CPI Finance, a.s.	12 036	4 976
CPI - Real Estate, a.s.	10 016	10 399
Hraničář, a.s.	2 690	1 066
Prague Development Holding, a.s.	--	16 666
Others	9 190	8 948
Total interest expense related to entities under direct or indirect control	**178 065**	**124 643**
Others	270	558
Total interest income related to other related parties	**270**	**558**
Total interest expense	**178 335**	**125 201**

Interest expense includes interest on interest-bearing loans and on bonds issued.

in thousand Czech crowns (TCZK)

CPI Group

7 Contingent liabilities

The Company provides following guarantees to its subsidiaries at 31 December 2011.

Subsidiary	Contingent liability / guarantee	Carrying amount of related bank loan at 31 December 2011 in TCZK
Auto Priemyselný park, s.r.o. Lozorno, A/L SK Office 2 s.r.o.	Guarantee statement	1 838 747
Balvinder, a.s.	Blank bill	181 679
Baumarkt České Budějovice s.r.o.	Guarantee statement	313 998
Beroun Property Development, a.s.	Blank bill	76 475
Carpenter, a.s.	Guarantee statement	117 173
CB Property Development, a.s.	Guarantee statement	794 640
Conradian, a.s.	Blank bill	121 298
CPI - Land Development, a.s.	Assumption for receivables, blank bill	13 664
CPI - Real Estate, a.s.	Assumption for receivables	203 337
CPI - Štupartská, a.s.	Assumption for receivables, blank bill	128 906
CPI BYTY, a.s.	Blank bill	3 072 723
CPI Park Mlýnec, a.s.	Assumption for receivables, blank bill	16 976
Hraničář, a.s.	Blank bill	342 848
Chrudim Investments, s.r.o.	Guarantee statement	112 242
Komárno Investments, s.r.o.	Guarantee statement	316 306
Lockhart, a.s.	Blank bill	482 289
MUXUM, a.s.	Blank bill, guarantee statement	195 480
Náchod Investments, s.r.o.	Guarantee statement	88 840
Považská Bystrica Investments, s.r.o.	Guarantee statement, blank bill	207 141
Řepy Investments, s.r.o., Mělník Investments, s.r.o., Pardubice Investments, s.r.o.	Guarantee statement	256 369
Trebišov Property Development, s.r.o.	Guarantee statement	172 131
U svatého Michala, a.s.	Blank bill	142 475
Vigano, a.s.	Blank bill	336 019

8 Capital commitments

The Company has no capital commitments as of of the statement of financial position.

Pledges of shares

The shares of following subsidiaries are pledged in respect of bank loans drawn by individual subsidiaries at 31 December 2011:

Považská Bystrica Investments, s.r.o., AB BHV spol. s r.o., Bageleot, a.s., Balvinder, a.s., SHEMAR INVESTMENTS LIMITED, Baumarkt České Budějovice s.r.o., CB Property Development, a.s., Farhan, a.s., Lockhart, a.s., Komárno Investments, s.r.o., Beroun Property Development, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI – Real Estate, a.s., CPI BYTY, a.s., Hraničář, a.s., Náchod Investments, s.r.o., Chrudim Investments, s.r.o., Kerina, a.s., Komura, a.s., BRILLIANT VARIETY s.r.o., České Těšín Property Development, a.s., Komárno Property Development, a.s., Liptovský Mikuláš Property Development, a.s., Michalovce Property Development, a.s., Modřanská Property, a.s., Nymburk property Development, a.s., OC Nová Zdaboř, a.s., Považská Bystrica Property Development, a.s., Prievidza Property Development, a.s., Ružomberok Property Development, a.s., Třinec Property Development, a.s., Zvolen Property Development, a.s., HERTONE, a.s., Auto – priemyselný park, s.r.o. Lozorno, A/L SK Office 2 s.r.o., Marissa Alfa, a.s., OLYMPIA Teplice s.r.o., Marissa Beta, a.s., OLYMPIA Mladá Boleslav s.r.o., Office Star Fourteen, spol. s r.o., COPA Centrum Národní, s.r.o., Marissa Ksí, a.s., CPI – City Park Jihlava, a.s., Office Star Four, spol. s r.o., Office Star One, spol. s r.o., Office Star Seven, spol. s r.o., Office Star Ten, spol. s r.o., Office Star Thirteen, spol. s r.o., Office Star Three, spol. s r.o., NERONTA, a.s., MUXUM, a.s., Svitavy Property Alfa, a.s., DOREK Vysoké Mýto, a.s., Dunajská Streda Investments, s.r.o., U svatého Michala, a.s., Vigano, a.s. Vyškov Property Development, a.s and Ždírec Property Development, a.s.

9 Subsequent events

9.1 Bonds

CPI VAR/12 bonds were redeemed in full on 22 March 2012. The nominal value of each bond was TCZK 10 and the total nominal value of bonds issued amounted to TCZK 650 000.

In March 2012 the Company issued new bonds:

CPI VAR/15 (EUR)

CPI VAR/15 bonds were issued on 23 March 2012. The bonds mature on 23 March 2015. The nominal value of each bond is EUR 500. The Company could issue bonds up to maximum value of EUR 15 000 000. CPI VAR/15 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/15, ISIN CZ0003501835). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 16 March 2012, reference number 2012/2446/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

CPI VAR EUR 2015
No. of bonds – pcs 30 000
Nominal value – EUR 500
Maturity – 23 March 2015
Interest rate – 6M EURIBOR + 6.5%

CPI VAR/19 (CZK)

CPI VAR/19 bonds were issued on 29 March 2012. The bonds mature on 29 March 2019. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 2 000 000. CPI VAR/19 bonds bear the interest rate based on 6M PRIBOR + 6.5% margin. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501868). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 27 March 2012, reference number 2012/2781/570 that came into force on 27 March 2012. Bonds were accepted for trading at the Prague Stock Exchange.

CZK CPI VAR 19
No. of bonds – pcs 2 000 000 000
Nominal value – CZK 1
Maturity 29 March 2019
Interest rate – 6M PRIBOR + 6.5%

CPI VAR/19 (EUR)

CPI VAR/19 bonds were issued on 23 March 2012. The bonds mature on 23 March 2019. The nominal value of each bond is EUR 500. The Company could issue bonds up to maximum value of EUR 70 000 000. CPI VAR/19 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501843). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 16 March 2012, reference number 2012/2445/570 that came into force on 19 March 2012. Bonds were accepted for trading at the Prague Stock Exchange.

CPI VAR EUR 2019
No. of bonds – pcs 140 000
Nominal value – EUR 500
Maturity – 23 March 2019
Interest rate – 6M EURIBOR + 6.5%

9.2 Business agreements

On 16 March 2012 the Company and a third party entered into the Settlement agreement which canceled the agreement on purchase of shares signed on 18 March 2009 and into the Settlement agreement which canceled the agreement on cession of receivables signed on 18 March 2009 based on which the Company sold 100% shares of subsidiary to this third party and ceded its receivables from this subsidiary.

On 16 March 2012 the Company signed the Agreement on sale of shares and the Agreement on cession of receivables based on which the Company sold 100% shares of above mentioned subsidiary to a new third party and ceded its receivables from this subsidiary. Receivables from these transactions are due on 30 April 2012.

On 29 March 2012 the Company has acquired additional 50% stake in VT Holding, a.s. and has become the sole shareholder of the Company. VT Holding, a.s. includes subsidiaries 4B Property, s.r.o, VT Alfa, a.s. and Horova Immo s.r.o. The consideration paid represents TCZK 4 124.

9.3 Acquisitions

The following entities were founded by the Company

- CPI East,s.r.o. (recorded on 12 March in Trade Register)
- CPI West, s.r.o. (recorded on 14 March in Trade Register)
- CPI Alfa, a.s. (recorded on 21 March in Trade Register)
- CPI Beta, a.s. (recorded on 21 March in Trade Register)
- CPI Delta, a.s. (recorded on 21 March in Trade Register)
- CPI Heli, s.r.o. (recorded on 27 March in Trade Register).

Prague, 27 April 2012

Radovan Vítek
Chairman of Board of Directors
Czech Property Investments, a.s., a.s.

Marek Stubley
Vice-chairman of Board of Directors
Czech Property Investments, a.s.