Czech Property Investments, a.s.

ANNUAL REPORT

2013

CPI Group

Key Figures

CPI Group in numbers – 2013

2,916,646

Net rental and service related income
(in thousands of CZK)

69,963,487

Investment property (incl. investment property under development)
(in thousands of CZK)

25,752,089

Equity
(in thousands of CZK)

2,737,377

Operating profit
(in thousands of CZK)

464

Number of CPI Group employees

85,607,405

Total assets
(in thousands of CZK)

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PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2013

Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Annual Report 2013 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for 2013, 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, 30 April 2014

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

Kristína Magdolenová
Vice-chairman of the Board of Directors
Czech Property Investments, a.s.

CPI Group

KPMG

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

Non-consolidated Financial Statements

On the basis of our audit, on 30 April 2014 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 2013, 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.

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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 financial position of Czech Property Investments, a.s. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Consolidated Financial Statements

On the basis of our audit, on 30 April 2014 we issued an auditor's report on the Company's consolidated statutory 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 2013, 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 Consolidated 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 financial position of Czech Property Investments, a.s. as of 31 December 2013, and of its financial performance 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 2013 prepared in accordance with the applicable provisions of Act No. 513/1991 Coll., the Commercial Code. 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 2013 contains material factual misstatements.

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Consolidated Annual report

We have audited the consistency of the consolidated annual report with the audited non-consolidated and consolidated financial statements. This consolidated annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited non-consolidated and 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 plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the audited consolidated 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 consolidated annual report is, in all material respects, consistent with the audited non-consolidated and consolidated financial statements.

Prague
30 April 2014

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

Pavel Kliment
Partner
Licence number 2145

2013 HIGHLIGHTS

January 2013

- Acquisition of 100% shares in Třinec Investments, s.r.o. which owns a retail park with a total leasable area about 4,000 sq. m.

February 2013

- Through acquisition of remaining 50% shares in CPI Národní, s.r.o., CPI Group became a sole owner of project for construction of multifunctional property for retail, office and residence which was immediately renamed to QUADRIO.

March 2013

- Issuing of Czech crowns bonds by Czech Property Investments, a.s. with a total nominal value of CZK 1.5 billion, bearing a fixed interest of 6.05% p.a., that are due in 2016.

April 2013

- 4* Clarion Congress Hotel České Budějovice won 1st place in the competition PRESTA – Prestižní stavba jižných Čech.

May 2013

- Acquisition of 100% shares in Statenice Property Development, a.s. which owns 207 thousand of sq. m. land suitable for future development.
- Issuing of Czech crowns project bonds by CPI BYTY, a.s. with a total nominal value of CZK 3 billion, in four emissions with various maturity and interest rate. The bonds maturity ranges from 2 to 8 years, and bonds bear a fixed interest which varied from 2.5% p.a. to 5.8% p.a.
- Grand opening of renovated 4* Clarion Congress Hotel Ostrava.
- Start of the construction of 12 residential houses in Březiněves under the project name Jižní stráň.
- Public presentation of a project for reconstruction of luxury apartments in the resort Palais Maeterlinck in Nice.

June 2013

- Acquisition of Hungarian real estate investor ABLON Group which owns retail, office, logistic and residential portfolio of about 180 thousands of sq. m. of rentable space and 235-bedrooms hotel.

September 2013

- Grand opening of renovated 4* Clarion Congress Hotel Olomouc.

October 2013

- Acquisition of ENDURANCE Fund’s real estate portfolio comprising retail and office premises of about 130 thousands of sq. m. of rentable space in Czech Republic, Poland and Hungary.

November 2013

- Opening of CPI Retail Park Pelhřimov. The project offers a retail park with a total leasable area of 2,500 sq. m.
- Public presentation of a new concept of former Živnobanka building which will be open to the public and will offer one of the world’s largest exhibition of glass and utility design on the area of 3,500 sq. m.

December 2013

- Start of construction of new office premises in Karlín, Prague. Project Meteor C will extend the existing administration complex Meteor by providing office premises of above 5,000 sq. m.

A CUT ABOVE CPI GROUP

Czech Property Investments, a.s. group (hereinafter also referred to as “CPI Group” or “the Group”) is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central European region. It has been operating on the real estate market since the end of 1990s. The parent company of the Group is Czech Property Investments, a.s. (hereinafter also referred to as “the parent company CPI”, “CPI” or “the Company”).

CPI Group develops its activities mainly in the Czech Republic and Slovakia across all real estate segments. In recent years, CPI Group has successfully established itself among the leading investors and developers in the domestic real estate market and during the last year it has also expanded within Europe. Its conservative and responsible approach laid the foundation for stability and long-term prosperity of the whole Group supported with years of experience and strong financial base.

The Group owns and manages over 610,000 sq. m. of retail space, about 407,000 sq. m. of existing office space, 17 hotels with about 8,000 beds and about 212,000 sq. m. of space intended for light industry and storage. With over 12,600 apartments, it is the second largest provider of rental housing in the Czech Republic.

The goal of CPI Group is to develop the potential of its real estate portfolio, to create new business opportunities and increase its commercial value. Cooperation with tenants and support of mutual relationships are the key points for its success.

History of CPI Group

The beginning of business activities of CPI Group in the real estate market started in the late 1990s when CPI Group began to focus on management of movable and immovable property. The Group invested in the purchase of real estate, as well as reconstruction of buildings for commercial use. The early years gave way to a period of great expansion, mainly in the asset value of the Group. This was also reflected in its internal structure and diversification of activities. Property management and rentals maintained the dominant position and acquisition activities had significant impact on increase in the value of assets. During this period, CPI Group also significantly extended its development activity. It launched and successfully completed several projects in Prague, which were then sold to end customers. Despite a significant suspension of activities on the property market caused by the global financial and economic crisis which started in 2008, the Group managed to complete and successfully sell or open several projects in housing and hotel accommodation segment. During these challenging times, CPI Group also focused on the consolidation of assets and capital and prepared the ground for future investments.

Year 2010 represents an important milestone in the Group’s history. In this year, the Group significantly invested primarily in existing properties and also expanded its activities in other sectors of the real estate industry. Acquisitions affected nearly all segments; CPI Group significantly expanded its stock of rental housing, expanded in retail, increased the number of office spaces and grew in the hotel industry.

Since 2011, CPI Group has continued in its acquisition and development activities of the previous years and clearly exceeded them in terms of volume. As a result, the Group’s portfolio diversified into all five segments. Top office buildings, important shopping centres, industrial areas and development projects or buildings smaller in terms of area, however equally important in terms of volume, appear among deals closed since this time. In 2012 the Group realised its first public emissions of corporate and project bonds which was met with an extreme success and opened the door to another source of the Group´s financing.

In 2013, CPI Group had expanded its activities abroad and extended the Group’s portfolio by acquisitions of real estate in Hungary, Poland and Romania.

MESSAGE FROM THE CEO

Dear business partners, colleagues and stakeholders,

first, I would like to assure you that the main objective of CPI Group is and will be to maximize the value for shareholder, to ensure its long-term growth and significant business development in the field of European real estate market with an ambition to be one of the truly international players.

For CPI Group, the year 2013 was a year of stabilizing the current portfolio and carrying out new acquisitions, which territorially expanded our assets particularly in the Central and Eastern Europe in the past twelve months. The Czech Republic still represents a domestic market for us, however, we have significantly strengthened our investments into real estate in Poland and Hungary by acquisitions of the ENDURANCE funds and the ABLON developer. Like in the previous years, we have not forgotten to support those in need. I would like to emphasize a civic association “Veselý vozíček” or the University Hospital in Olomouc supported through the “Kapka naděje” endowment fund.

In 2013, we have managed to achieve outstanding economic results. The key factors of generating profits were the favourable development of the market, increase in the efficiency of the Group financing, and overall success of our business. Speaking of numbers, over the last year, the value of assets managed by CPI Group increased by more than 32% and amounts to 86 billion Czech crowns as at 31 December 2013. The net profit amounted to 2 billion Czech crowns and surpassed the profit of 2012 (1.4 billion Czech crowns) by 39 %. The operating profit before interest, taxes, depreciation and amortization (EBITDA) amount of 3.4 billion Czech crown, which represents an annual increase by 8.5 %. Within the consolidated aggregate of CPI Group, gross rental revenue increased by 18 % from the last year, and raised to 3.4 billion Czech crowns not only due to new acquisitions. Encouraged by the successful growth achieved in priority segments of our business, for the next period we have announced a number of new projects and planned acquisitions which, after they have been completed, will increase the value of CPI Group’s assets significantly above 100 billion Czech crowns.

The successfully completed acquisitions of the Hungarian developer ABLON and of the ENDURANCE funds’ real estate portfolio represent important milestones of the last year. At a high rate, we have strengthened our traditional segments not only in the Czech Republic, but also in Warsaw and Budapest as regards to the office and retail buildings occupied by major tenants. The domestic real estates, for example, headquarters of ČEZ, GTS Czech, Burda (Luxembourg Plaza), and TÜV SÜD CEE have been added, as well as the Meteor office park in Karlín, Prague, where we are currently building the next phase. In Poland, names like Comarch, University of Warsaw, and Euromoney joined the group of tenants of our buildings. In Hungary there were huge corporations, such as General Motors and Hungary Post.

Last year summary also includes our own development. Our flagship development project under construction is the QUADRIO multifunctional complex in the centre of Prague. This combines an offer of top offices, luxury apartments and a shopping gallery. CPI Group’s star abroad, just before completion, is the Palais Maeterlinck residential project for a luxury apartments resort on the Cote d´Azur in Nice. During last year, we completed the construction of the Olomouc City Center office facility, which has become a new regional headquarters of the Raiffeisenbank and which also includes a four-star Clarion Congress Hotel. Furthermore, we are continuing to develop a unique project of an entertaining glass exposition in a historical building of the former Živnobanka at Na Příkopě street, Prague, and we will also continue with the medium sized projects this year.

Although the office segment is facing a complicated competitive environment, we managed to acquire a number of new tenants and to renew several key contracts. I consider renewal of contract with Nestlé Corporation a great success of our team. Nestlé will be based in our office park in Modřany, Prague, for at least another ten years. Retail, which is one of our strongest segments in the long-term perspective, performed very well. Currently, owning more than 600 thousand sq. meters, we are the biggest owner of retail properties in the Czech Republic. In many places, we have successfully battled our competitors, optimized the tenants mix and invested in modernization. In the coming years, we intend to increase the share of retail. We are also satisfied with the hotel segment, where we can observe a growth in the first months of this year that is why there are also positive expectations for 2014. A significant share in the field of residential sector, where we occupy the position of the second largest provider of rental housing in the Czech Republic, with more than 12 600 flat units, brings us a stable value.

The results of 2013 indicate a strong position on the real estate market and we will strengthen this position in 2014. In the context of a continuing economic growth of the key European economies, we want to continuously stand as an important and successful player in the real estate market in the Czech Republic and the CEE region. We will again focus on opportunities for new business, and due to the increasing demands of clients, we expect investments to our current portfolio and an increase in the quality of offered services, particularly in the area of building management, repairs, renovations and marketing, in the coming years. Like at the Prague office building Longin, which was renovated a year ago, we also want to keep pace with the market at other premises. Thus, the tenants may expect new reception desks and facelifts of whole buildings in the Czech Republic, Hungary, and Poland. The anticipated improvement in macroeconomic indicators of the Czech Republic has been fulfilled, and followed the positive economic results of 2012. The Czech economy reflected the development within the EU, related particularly to the growth of the German economy, increasing demand, and recovery in key markets. At the level of consolidated financial performance indicators, we expect their gradual growth also in the following years. The Hloubětín accommodation facility will undergo a renovation process, we will also start a number of retail park projects, and another important project, the remodelling and extension of the IGY business centre in České Budějovice. A significant topic of this year is the QUADRIO project that will be completed this autumn, followed by investments in Živnobanka which will result in one of the world's largest exhibition of glass and utility design.

In conclusion, allow me, to thank all our clients, business partners, employees of CPI Group, our shareholder and suppliers for their confidence and cooperation in 2013 and for their contribution to the excellent results of CPI Group.

Prague, 30 April 2014

Zdeněk Havelka
Chief Executive Officer

REPORT ON OPERATIONS

PARENT COMPANY CPI

Czech Property Investments, a.s., with its registered office at Prague 1, Václavské náměstí 1601/47, 110 00, IČ (Company Identification Number) 427 16 161, 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 2013, the subject of business is:

- accounting, consulting, bookkeeping;
- lease of properties, apartments and non-residential premises;
- public auctions - voluntary;
- manufacture, trade and services not listed in Appendices 1 - 3 of the Act No. 455/1991 Coll., Trade Licensing Act , as amended.

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.
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110 00 Prague 1
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www.cpi.cz

Since 1 January 2005, CPI has been reporting its results in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the European Union.

No public bid for the takeover of CPI shares was made in 2013. 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 to 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 favourable conditions.

CPI
Group

CPI GROUP STRUCTURE

The following companies, in which CPI directly or indirectly has a controlling or significant influence, are part of the CPI consolidation unit as of 31 December 2013. CPI is not dependent upon other entities within CPI Group.

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
4B Investments, a.s.	100,00	CPI Národní, s.r.o.	100,00
ABLON s.r.o.	100,00	CPI North, s.r.o.	100,00
Airport City s.r.o.	100,00	CPI Palmovka Office, s.r.o.	100,00
Arkáda Prostějov, s.r.o.	100,00	CPI Park Mlýnec, a.s.	100,00
Balvinder, a.s.	100,00	CPI Park Žďárek, a.s.	99,96
Baudry Alfa, a.s.	100,00	CPI Property, s.r.o.	100,00
Baudry Beta, a.s.	100,00	CPI Reality, a.s.	100,00
Baudry, a.s.	100,00	CPI Retail Portfolio III, s.r.o.	100,00
BAYTON Alfa, a.s.	100,00	CPI Retails 4B, s.r.o.	100,00
BAYTON Beta, a.s.	100,00	CPI Retails EIGHT, s.r.o.	100,00
BAYTON Delta, a.s.	100,00	CPI Retails ONE, a.s.	100,00
BAYTON Gama, a.s.	86,54	CPI Retails SEVEN, s.r.o.	100,00
Beroun Property Alfa, a.s.	100,00	CPI Retails SIX. s.r.o.	100,00
Beroun Property Development, a.s.	100,00	CPI Retails TWO, a.s.	100,00
Besnet Centrum, a.s.	100,00	CPI Services, a.s.	100,00
Best Properties South, a.s.	100,00	CPI Shopping MB, a.s.	100,00
BPT Development, a.s.	100,00	CPI Shopping Teplice, a.s.	100,00
Brandýs Logistic, a.s.	100,00	CPI South, s.r.o.	100,00
Březiněves, a.s.	100,00	CPI West, s.r.o.	100,00
Camuzzi, a.s.	100,00	CURITIBA a.s.	100,00
Carpenter Invest, a.s.	100,00	Český Těšín Property Development, a.s.	100,00
CB Property Development, a.s.	100,00	Družstvo Land	99,96
CD Property s.r.o.	100,00	EMH North, s.r.o.	100,00
Conradian, a.s.	100,00	EMH South, s.r.o.	100,00
CPI - Bor, a.s.	100,00	EMH West, s.r.o.	100,00
CPI - Facility, a.s.	100,00	Farhan, a.s.	100,00
CPI - Krásné Březno, a.s.	99,96	FL Property Development, a.s.	100,00
CPI - Land Development, a.s.	100,00	HD Investment s.r.o.	100,00
CPI - Orlová, a.s.	100,00	Hraničář, a.s.	100,00
CPI - Real Estate, a.s.	100,00	IGY2 CB, a.s.	100,00
CPI - Štupartská, a.s.	100,00	Kerina, a.s.	100,00
CPI - Zbraslav, a.s.	100,00	LD Praha, a.s.	100,00
CPI Alfa, a.s.	100,00	Liongate, a.s.	100,00
CPI BB Centrum, a.s.	100,00	Lockhart, a.s.	100,00
CPI Beta, a.s.	100,00	Luxembourg Plaza, a.s.	100,00
CPI BYTY, a.s.	100,00	Malerba, a.s.	100,00
CPI City Center ÚL, a.s.	100,00	Marissa Delta, a.s.	100,00
CPI Delta, a.s.	100,00	Marissa East, a.s.	100,00
CPI East,s.r.o.	100,00	Marissa Epsilon, a.s.	100,00
CPI Epsilon, a.s.	100,00	Marissa Gama, a.s.	100,00
CPI Group, a.s.	100,00	Marissa Ióta, a.s.	100,00
CPI Heli, s.r.o.	100,00	Marissa Kappa, a.s.	100,00
CPI Hotels Properties, a.s.	100,00	Marissa Lambda, a.s.	100,00
CPI Jihlava Shopping, a.s.	100,00	Marissa North, a.s.	100,00
CPI Lambda, a.s.	100,00	Marissa Omega, a.s.	100,00
CPI Management, s.r.o.	100,00	Marissa Omikrón, a.s.	100,00
CPI Meteor Centre, s.r.o.	100,00	Marissa Sigma, a.s.	100,00

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
Marissa South , a.s.	100,00	Příkopy Property Development, a.s.	100,00
Marissa Tau, a.s.	100,00	Quadrio Residence, s.r.o.	100,00
Marissa Théta, a.s.	100,00	Statenice Property Development, a.s.	100,00
Marissa West, a.s.	100,00	Strakonice Property Development, a.s.	100,00
Marissa Yellow, a.s.	100,00	Svitavy Property Alfa, a.s.	100,00
Marissa Ypsilon, a.s.	100,00	Svitavy Property Development, a.s.	100,00
Marissa, a.s.	100,00	Telč Property Development, a.s.	100,00
MB Property Development, a.s.	100,00	Trutnov Property Development, a.s.	100,00
Modřanská Property, a.s.	100,00	Třinec Investment, s.r.o.	100,00
MQM Czech, s.r.o.	100,00	Třinec Property Development, a.s.	100,00
MUXUM, a.s.	100,00	Týniště Property Development, s.r.o.	100,00
Nymburk Property Development, a.s.	100,00	U Svatého Michala, a.s.	100,00
OC Nová Zdaboř a.s.	100,00	VERETIX a.s.	100,00
OC Spektrum, s.r.o.	100,00	Vigano, a.s.	100,00
Olomouc City Center, a.s.	100,00	VM Property Development, a.s.	100,00
Olomouc Office, a.s.	100,00	VT Holding, a.s.	100,00
Pelhřimov Property Development, a.s.	0,00	Vyškov Property Development, a.s.	100,00
Polygon BC s.r.o.	100,00	Žďár Property Development, a.s.	100,00
Prague Property Development, s.r.o.	100,00	Ždírec Property Development, a.s.	100,00
Příbor Property Development, s.r.o.	100,00		

Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %
CPI Facility Slovakia, a.s.	100.00	Michalovce Property Development, a.s.	100.00
CPI Retails FIVE, a.s.	100.00	NERONTA, a.s.	100.00
CPI Retails FOUR, a.s.	100.00	Považská Bystrica Property Development, a.s.	100.00
CPI Retails THREE, a.s.	100.00	Prievidza Property Development, a.s.	100.00
Čadca Property Development, s.r.o.	100.00	Ružomberok Property Development, a.s.	100.00
ELAMOR, a.s.	100.00	Trebišov Property Development, s.r.o.	100.00
Komárno Property Development, a.s.	100.00	Zvolen Property Development, a.s.	100.00
Liptovský Mikuláš Property Development, a.s.	100.00		

Companies controlled by Czech Property Investments, a.s. - Hungary	Ownership interest %	Companies controlled by Czech Property Investments, a.s. - Hungary	Ownership interest %
ABLON Kft.	100.00	GLOBAL INVESTMENT Kft.	100.00
ACGATE Kft.	100.00	GLOBAL MANAGEMENT Kft.	100.00
Airport City Kft.	100.00	GLOBAL PROPERTIES Kft.	100.00
B.C.P. Kft.	100.00	Hotel Rosslyn Kft.	100.00
Bright Site Kft.	100.00	HUNGATE 2013 Kft.	100.00
Budaörs Business Park Kft.	100.00	ICL 1 Budapest Kft.	100.00
Century City Kft.	100.00	Insite Kft.	100.00
Duna Office Center Kft.	100.00	Leriegos Kft.	100.00
First Chance Kft.	100.00	New Field Kft.	100.00
First Site Kft.	100.00	New Sites Kft.	100.00
GLOBAL CENTER Kft.	100.00	STRIPMALL Management Kft.	100.00
GLOBAL DEVELOPMENT Kft.	100.00	Szolgáltatóház Kft.	100.00
GLOBAL ESTATES Kft.	100.00		
Global Immo Kft.	100.00		

Companies controlled by Czech Property Investments, a.s. - Romania	Ownership interest %	Companies controlled by Czech Property Investments, a.s. - Romania	Ownership interest %
ABLON Bucharest Real Estates Development S.R.L	100.00	LN Est-Europe Development SRL	100.00
DH Est-Europe Real Estate SRL	100.00	MH Bucharest Properties S.R.L	87.88
ES Bucharest Development S.R.L.	100.00	RSL Est-Europe Properties SRL	100.00
ES Bucharest Properties S.R.L.	100.00	RSL Real Estate Development S.R.L.	100.00
ES Hospitality S.R.L.	100.00		

Companies controlled by Czech Property Investments, a.s. - Cyprus	Ownership interest %	Companies controlled by Czech Property Investments, a.s. - Cyprus	Ownership interest %
ALAMONDO LIMITED	100.00	JONVERO LIMITED	100.00
Avacero Ltd.	100.00	LERIEGOS LIMITED	100.00
AVIDANO LIMITED	100.00	MESARGOSA LIMITED	100.00
BREGOVA LIMITED	100.00	OSMANIA LIMITED	100.00
CPI CYPRUS LIMITED	100.00	PRINGIPO LIMITED	100.00
Codiazella Ltd.	100.00	SASHKA LIMITED	100.00
DERISA LIMITED	100.00	SHAHEDA LIMITED	100.00
DORESTO LIMITED	100.00	TUNELIA LIMITED	100.00
GOMENDO LIMITED	100.00	Volanti Ltd.	100.00
GORANDA LIMITED	100.00	ZLATICO LIMITED	100.00
ISTAFIA LIMITED	100.00		

Companies controlled by Czech Property Investments, a.s. - Poland	Ownership interest %	Companies controlled by Czech Property Investments, a.s. - Poland	Ownership interest %
ABLON Sp. z o.o.	100.00	ORCO APARTMENTS, Sp. z o.o.	100.00
Gadwall, Sp. z o.o.	100.00	SPH Properties Sp. z o.o.	100.00
GARET INVESTMENTS Sp. z o.o.	100.00	WARSAW WEST GATE, Sp. z o.o.	100.00
K.B.P. BUSINESS PARK sp. z o.o.	50.00	WWG2013 Sp. z o.o.	100.00

Companies controlled by Czech Property Investments, a.s. – Netherlands	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Ireland	Ownership interest %
CPI Finance Netherlands B.V.	100.00	CPI FINANCE IRELAND LIMITED	100.00

Companies controlled by Czech Property Investments, a.s. – France	Ownership interest %	Companies controlled by Czech Property Investments, a.s. - Guernsey	Ownership interest %
CPI France, a SASU	100.00	ABLON Group Limited	100.00

Companies controlled by Czech Property Investments, a.s. - British Virgin Islands	Ownership interest %
CPI FINANCE (BVI) LIMITED	100.00

The Group has renamed following entities from 31 December 2013 till the date of the approval of the Annual report by Board of Directors: 4B Investments, a.s. (new name CPI Retail Portfolio I, a.s.), BAYTON Beta, a.s. (CPI Flats, a.s.), CPI Retails 4B, s.r.o. (CPI Retail Portfolio V, s.r.o.), CPI Retails EIGHT, s.r.o. (CPI Retail Portfolio VI, s.r.o.), CPI Retails SEVEN, s.r.o. (CPI Retail Portfolio VII, s.r.o.), CPI Retails SIX. s.r.o. (CPI Retail Portfolio IV, s.r.o.), Liongate, a.s. (Čáslav Property Development, a.s.) and VT Holding, a.s. (CPI Retail Portfolio II, a.s.).

CPI Group

ECONOMIC DEVELOPMENT IN THE MAIN COUNTRIES OF CPI GROUP OPERATIONS

Czech Republic

The following macroeconomics data and description were published by the Czech Statistical Office (unless otherwise stated).

Indicator	Period		Forecast 2014*
GDP (Gross domestic product)	2013	-0.9%	1.4%
CPI (Consumer price index)	2013	1.4%	1.0%
ILO Unemployment rate	4Q 2013	6.8%	7.0%

* Source: Ministry of Finance of the Czech Republic

The gross domestic product adjusted for price, seasonal, and calendar effects decreased in 2013 compared to 2012 by 0.9%.

Development of the demand at constant prices in 2013 (similarly as in 2012) was negatively influenced primarily by decrease of investments in fixed capital by 3.6% in total. In the Q4 2013, the gross fixed capital formation increased both y-o-y and q-o-q. In the second half-year (after stagnation in the first half-year) it was an increase in the final consumption expenditure of households and institutions of the general government, which contributed to the formation of the demand. Households paid in 2013 more, y-o-y, especially for housing (including energies), transport and transport equipment, clothing, telecommunication, and also for insurance. Compared to 2012, on the contrary, expenditure dropped mainly for food, recreation, and furniture. Contribution of external trade in goods to the overall demand was almost neutral with exports growing by 1.0% and imports by 0.9%.

The year-on-year growth of consumer prices accelerated to 1.4% in December (1.1% in November). The same value, i.e. 1.4% reached also the average inflation rate in 2013 and was the lowest since 2009. The biggest upward effect on the y-o-y consumer price level, which was even strengthened in December, came from prices in 'food and non-alcoholic beverages'. Another more significant impact on the overall level of consumer prices came from prices in 'housing, water, electricity, gas and other fuels' and 'alcoholic beverages, tobacco'. The reduction of the y-o-y price growth came from the decrease in prices in 'communication', where prices of telephone and telefax services and prices of mobile phones were lower.

The general unemployment rate according to the ILO definition in the age group 15-64 years (the share of the unemployed in the labour force, i.e. the sum of the employed and the unemployed) attained 6.8% in Q4 2013 and decreased by 0.4 p.p. The number of unemployed persons reached 355.4 thousand (of which 189.4 thousand females) and the total number of the unemployed dropped by 24.1 thousand persons, year-on-year.

Hungary

The following macroeconomics data and description were published by the Hungarian Central Statistical Office (unless otherwise stated).

The gross domestic product of Hungary grew by 2.7% in the Q4 2013 compared to the corresponding period of the previous year. The economic output was up by 1.1% in 2013 as a whole. The latter indicator puts Hungary in the middle of the European countries' ranking. The trend of investments in the national economy stopped decreasing and turned into growth: it was 15% higher in Q4 2013 and 7.2% more over the year as a whole than one year before.

The euro value of exports was up by 2.5% and that of imports by 1.8% in the period of January–December as a whole according to preliminary data on external trade, within which by 9.5% and 6.9% respectively in December. The external trade balance had a surplus of EUR 7,272 million in 2013, EUR 617 million more than one year earlier. The volumes of exports and imports grew at nearly the same rates, by 4.5% and 4.4% respectively in January–November 2013 compared to the same period of the previous year.

The rate of rise of consumer prices slowed down considerably compared to the previous year: consumer prices rose by 1.7% in 2013 as a whole.

The number of unemployed people was 448 thousand, 26 thousand (5.5%) less than in 2012. Besides, the unemployment rate of 10.3% was 0.7 percentage point lower than one year before.

Slovakia

The following macroeconomics data and description were published by the Statistical Office of the Slovak Republic (unless otherwise stated).

In the Q4 2013, gross domestic product actually increased by 1.5%. Compared with the Q4 2012, the GDP growth rate speeded up by 1.1 p.p. At current prices, the volume of GDP increased, y-o-y, by 1.5% to EUR 18,392.9 million. Economic growth over the previous nine quarters was affected exclusively by a year-on-year growth of foreign demand. This trend was interrupted in the Q4 2013 and domestic demand contributed positively to this development.

In December 2013, the total export of goods stood at EUR 4,721.1 million with a y-o-y growth by 9%. The total import of goods increased by 12.5% to EUR 4,782.4 million. The foreign trade balance was in deficit in the amount of EUR 61.3 million. In 2013, compared with 2012, the total export of goods increased by 3.7% to EUR 64,466 million and the total import by 2.5 % to EUR 60,036.3 million. The foreign trade balance was in surplus in the amount of EUR 4,429.7 million.

Average annual inflation rate measured by harmonized index of consumer prices reached in December 2013 the value of 1.5%.

After a long-term year-on-year growth, the unemployment, according to Labour Force Sample Survey, decreased in the Q4 2013. Compared with the Q4 2012, it was reduced by 1% to 387 thousand persons. At the same time, the unemployment rate decreased as well by 0.2 p.p. to 14.2%.

Poland

The following macroeconomics data and description were published by the Polish Central Statistical Office (unless otherwise stated).

Based on the preliminary data, Q4 2013 seasonally adjusted gross domestic product increased by 0.5% compared to the previous quarter and was by 2.2% higher than in the Q4 2012. Non-seasonally adjusted GDP was by 2.7% higher than in the corresponding quarter of 2012.

In the period of January–September 2013, together with the continually unfavourable business tendencies on the global markets, the economic growth rate was lower than a year before. However, in subsequent quarters, a gradual improvement in the dynamics was recorded.

According to the preliminary estimate, an increase in the gross domestic product (at constant average prices of the previous year) in the Q3 2013 was higher than in the previous periods. The GDP increased by 1.9%, in real terms, in comparison to the corresponding period of the previous year. This rise resulted from a positive impact of both the domestic and foreign demand (net exports). The domestic demand, after five quarters of a drop in annual terms, was by 0.5% higher, in real terms, than in the Q3 2012. Net exports remained the major growth factor. In the Q3 2013, its impact on GDP growth amounted to 1.4 p.p., and was lower than in the Q2 2013 (2.5 p.p.).

The prices of consumer goods and services grew, in annual terms, by 1.0%. The dynamics in most groups of goods and services were slower than in the period of January–September 2012.

At the end of September of 2013, the registered unemployment rate amounted to 13.0% and was by 0.6 p.p. higher than a year before.

THE PROPERTY MARKETS IN THE REGIONS OF CPI GROUP OPERATIONS

Czech Republic

The following data and description for real estate market in the Czech Republic are based on a report published by DTZ, a UGL company (unless otherwise stated).

Retail Market in the Czech Republic

Total modern retail stock (>5,000 sq. m. centres) in the Czech Republic exceeded 3,291,000 sq. m. New supply reached 118,800 sq. m. in Q4 2013, a record quarterly level. The annual supply delivered in 2013 was the highest since 2009 (179,800 sq. m.) representing an annual increase of 13%. Major completions in the last quarter of the year represented shopping centres in Prague (13,800 sq. m.) and in the region (82,500 sq. m.)

New supply for 2014 can only be estimated at present however DTZ forecasts the level to exceed 160,000 sq. m. Some projects may still be postponed depending on the required lease rate being achieved prior to completion.

Total retail stock per 1,000 inhabitants stands at 313 sq. m. in the Czech Republic, excluding retail parks and outlets the saturation reaches 231 sq. m. Liberec still has the highest saturation of more than 1.4 sq. m. per inhabitant, Olomouc has recorded the sharpest increase during 2013 to 1.38 sq. m.

There are still new retailers entering the Czech market – Italian fashion Harmont & Blaine, Polish shoe retailer Wojas, British fashion retail chain French Connection, Austrian Julius Meinl am Graben delicatessen department store, etc. Despite continuing interest from new brands to enter the market, several brands have decided to leave Czech Republic in 2013. The Swedish fashion chain KappAhl closed down its five Czech stores by year-end, as well as Swiss operator Charles Vögele due to unsatisfactory turnovers. Jackpot & Cottonfield is closing down its 11 stores in the Czech Republic as a result of the European strategy of the new owner of the brand.

Prime high street rents in Prague on Na Příkopě stand at around €180 per sq. m. per month with selected units being leased for even higher rents of more than €200 per sq. m. per month. Prime shopping centre rents in Prague for a unit of 50-100 sq. m. range between €70 and €80 sq. m. per month. Regional shopping centres are under pressure mainly due to high saturation in some cities. In retail parks prime space for units of around 1,000 sq. m. ranges between €12 and €15 per sq. m. per month in Prague and €6.5 and €12 per sq. m. per month in the regions.

Office Market in the Czech Republic

Total office stock reached 2.96 million sq. m. in Q4 2013, made up of 71% A class and 29% B class properties. Annual supply reached 78,400 sq. m., 20% below the last year´s level and 53% below the long term average.

Gross take-up totalled 81,200 sq. m. in Q4, a 55% increase on Q3 and a 12% on Q4 2012. Total leasing activity in 2013 reached 298,000 sq. m. showing intensive occupier activity, up by 9% on annual basis. Net take-up amounted to 147,600 sq. m. in 2013, roughly at the same level as previous year. Despite a very strong annual gross take-up in 2013 with almost 300,000 sq. m. leased or renegotiated, 50% of transactions were renegotiations. In Q4 renegotiations represented even 64% of the total letting activity. This trend is expected to continue into 2014.

The vacancy rate increased in Q4 2013 to 13.2% from 12.9% in Q3. There is currently 389,300 sq. m. of A and B class office space vacant in the Prague office market.

Net absorption, representing the change in occupied space between Q3 and Q4 2013 was positive ca. 49,100 sq. m., meaning that more space was occupied than vacated. The annual absorption reached ca. 34,000 sq. m.

Prime headline rents in Prague city centre remained stable during Q4 2013 at €19.50 - €20.50 per sq. m. per month. Rents stand at €15 - €17.50 in the inner city and at €13 - €14.50 in the outer city. Further marginal drops can be expected throughout 2014.

There are currently ca. 327,100 sq. m. in various stages of active construction or refurbishment. Additionally, ca. 44,800 sq. m. are on hold and awaiting pre-leases. New supply in 2014 should range between 150,000 -170,000 sq. m., significantly above the average of the last four years (80,000 sq. m.).

Residential Market in the Czech Republic

The residential market in the Czech Republic was influenced by the following events in the past years. The EU accession of most countries in the region in 2004/2007 caused confidence in both domestic and foreign demand, and determined banks' lending attitudes – leading to the housing boom. As early as May 2007, the subprime crisis made its first impact on the CEE markets – out-flow of foreign investment capital. Starting in October 2008, the credit crunch started to affect the region – drawback of domestic demand. Finally, limited recovery of residential sector started after September 2010.

In terms of economic factors, there is a clear distinction between the development prospects of the CEE countries in the years to come. The Czech Republic is forecast to see positive GDP figures. This should boost demand for housing in the coming years. One key indicator that shows the level of interest in the residential market is the mortgage market.

HB INDEX for residential units remained for the end of 2013 on to the same value as at the end of the Q3 2013, i.e. on 93.4. Its growth between Q2 and Q3 2013 stopped and this confirmed yearlong trend of motionless housing prices. HB Index is regularly presented by Hypoteční banka, a.s. and is based on realistic estimates of market prices of real estates. INDEX HB itself is calculated for the entire Czech Republic, and for the three types of real-estates - flats, houses and land. For Basic 100.0 were selected real estate prices as of 1 January 2008.

The year 2013 was a year of historically lowest interest rates. In December 2013, the average interest rate was 3.06%, which is the lowest level since the creation of the mortgage market in the Czech Republic in 1995.

Hospitality Market in the Czech Republic

According to the Czech Statistical Office, number of guests in accommodation establishments increased by 1.6% in 2013 compared to 2012, however the number of overnight stays continued in declining tendency also in 2013. Domestic as well as foreign guests spent in average 2.8 nights which represents 0.6% less compared to 2012.

About 7.3 million foreign visitors came to the Czech Republic in 2013, which is a 2.0% increase compared to the previous year. The number of their overnight stays slightly increased by 1.0%. Most foreign tourists came to Prague and amounted to almost 4.8 million. Domestic guests in accommodation establishments increased by 1.2% (nearly 6.6 million), however spent about 2.4% less nights. Domestic guests, however, clearly preferred other regions than Prague. Most of guests were accommodated in three-star hotels and lower hotel categories.

Traditionally, the largest group of visitors to the Czech Republic are Germans, followed by Russians and Slovaks. The largest recorded annual increase is from China guests, which represents 12.7% increase compared to 2012. From the regional perspective the highest increase in the guests' number was reported in Olomoucký region (+8.9%). The largest increase was seen in the total number of overnight stays in the South Moravian Region (+7.8%).

Industry and Logistic Market in the Czech Republic

Total stock of modern developer-led logistics and industrial space reached 4.45 million sq. m. in Q4 2013. Total leasing activity reached record levels in 2013 with 1.173 million sq. m. leased or renegotiated, which was mainly driven by new occupier activity around Prague and several large renegotiations, which reached a share of 47% on total take-up in 2013. Production companies were most active in leasing new space during the year 2013, with a high contribution primarily from the automotive sector.

The vacancy rate decreased during the last quarter below 8%. A total of 352,900 sq. m. of modern warehouse space is vacant. A further drop in vacancy in 2014 is forecasted as a result of strong occupier demand and almost no speculative development.

Prime headline rents for modern logistics space have remained flat at €3.80 - €4.25 per sq. m. per month and they are expected to remain stable. For selected smaller units or for leases for a shorter period rents can reach up to €4.50 per sq. m. per month.

Slovakia

The following data and description for markets in Slovakia are based on a report published by DTZ, a UGL company (unless otherwise stated).

Retail Market in Slovakia

Total modern retail stock in Slovakia amounts to approximately 1.54 million sq. m. of this, approximately 36% is in Bratislava. The attractiveness of the cities outside of Bratislava has grown rapidly in recent years. Around 80% of total stock consists of shopping malls with 16% in retail parks while the remaining 4% consists of department stores and smaller inner city arcades and galleries. As the total shopping centre space per 1,000 inhabitants in Slovakia reached 281 sq. m. at the end of 2013, retailer demand for new retail space is relatively low, especially in areas with higher saturation and lower income.

Prime shopping centre rents in Bratislava for small units of 50-100 sq. m. for fashion retailers currently range from €50 to €85 per sq. m. per month. Regional prime shopping centres quote around €25 - €35 per sq. m. per month and these rents are forecast to remain stable. Retail park rents stand around €5 - €10 per sq. m. per month for larger units of around 1,000 sq. m. Prime rents remain stable in Slovakia, with the exception of shopping centre values in Bratislava which declined modestly.

Industry and Logistic Market in Slovakia

The total A-class industrial stock in Slovakia reached 1,259,000 sq. m. in the last quarter of 2013. In Q4 2013, a gross take-up volume of 86,610 sq. m. and a net take-up volume of 18,135 sq. m. were recorded. Gross take up marked a significant increase compared to the previous quarter Q3 2013 (11,000 sq. m.). Approximately 31% of the gross take-up was leased in the Greater Bratislava region while the Samsung renewal secured a 67% for the western Slovakia region. As an interest in the new premises continuous, it is expected an increase in future demand and also for built-to-suit facilities.

The vacancy rate has at the end of 2013 marked a slight decrease to 5.5% compared to 6.3% in the previous quarter. Current vacant space in the Slovakia is equal to 67,800 sq. m. Industrial parks in the Greater Bratislava region possess the largest volume of available space (43,300 sq. m.).

Prime headline rents achieved in Bratislava stand at €3.30 – €4.20 per sq. m. per month and €3.80 – €4.20 per sq. m. per month in Košice. For speculative development with partial pre-leases in the Bratislava regions, rents stand at between €3.60 – €3.90 per sq. m. per a month, supported by rent free periods ranging from 6 to 9 months for a new five-year lease. It is not expected any significant changes to occur in the near future in sense of rental levels in Slovakia.

Hungary

The following data and description for markets in Hungary are based on a report published by DTZ, a UGL company ("DTZ") and by Cushman & Wakefield ("C&W") Hungary (unless otherwise stated).

Office Market in Hungary

According to the report published by DTZ, no new building was handed over to the market in Q4 2013; annual completion remained at a low level totalling 30,100 sq. m. This is 31% higher compared to 2012, but is still far behind the last 5 years average level of 122,650 sq. m. Modern office stock stands at 3.17 million sq. m., including 2.55 million sq. m. of rental stock and 625,000 sq. m. of owner-occupied stock. In terms of future supply, development activity is still very low. 2014 is expected to bring 5 new office schemes, comprising over 65,000 sq. m. of office space with 32% already pre-let to the market. The annual take-up level remained high, totalling 395,600 sq. m., which is 15% above the 2012 level, and the second highest in the history of the Budapest office market.

The overall vacancy rate showed a minor decrease during the quarter and an over 1.5 p.p. drop during the year, and stands currently at 18.4%. The rental vacancy rate also decreased to 23% during 2013. In terms of office sub-markets there was no increase in vacancy during the year, moreover, the CBD, South Pest and Central Buda managed to decrease their vacancy rates by the largest extent, by around 4 p.p. each. South Buda has the lowest vacancy rate with 10%, followed by South Pest with 14.8%, and Inner Pest with 16.5%. The Periphery has still the highest vacancy rate with 32%, followed by North Buda with 27% vacancy.

Tenants are still in a strong negotiating position. Higher incentives and flexible lease conditions have become common market practice. Pressure on market rents has decreased during the year. Prime grade A headline rents range between €14 and €16 per sq. m. per month, while the majority of the letting transactions in grade A office buildings have been concluded at headline rents ranging between €10.5 and €12.5 per sq. m. per month. In the leading sub-markets, where vacancy rate levels have decreased (CBD, South Buda), the rental levels have stabilized. The level of market rents is not expected to change significantly in the near future.

Retail Market in Hungary

According to the report published by C&W, the retail market saw a slight improvement in the fourth quarter, with increased interest from international brands but also general expansions. Retail sales continued on their upward trajectory in November, a trend which has been largely evident in the second half of the year. Although retailers are still cautious with regard to expansions, a number of international brands have increased their presence over the past months. Expanding retailers include the likes of H&M, Deichmann, Inditex, Reserved and Michael Kors among others. Meanwhile, landlords of prime shopping centres have experienced some improvement in the market, but with secondary developments still suffering from higher vacancy levels, and a less optimistic outlook.

The high streets of Váci utca and Andrássy út were attracting slightly stronger interest in the fourth quarter, and this was reflected in a rise of 5.6% in rental values in the former location. Nevertheless, prime rents were generally stable towards the end of the year and stand at €95 and €40 per sq. m. per month for Váci utca and Andrássy út respectively. In the retail warehouse sub-sector, occupiers are yet to record a pick-up in activity and improvement in market conditions has been slow. Retail park rents stand around €7 per sq. m. in Budapest and Budaörs.

Industry and Logistic Market in Hungary

According to the report published by C&W, the Hungarian industrial market was fuelled by the positive economic momentum, sustained industrial production and export growth in Q4/2013. This has positively impacted the industrial market sentiment and resulted in better occupational activity, most notably in the logistics sector. The final quarter saw an increased number of large-scale active logistic requirements which translated into about 125,000 sq. m. of industrial take-up in Budapest. Approximately a quarter of all leased space is accounted for by renewals in Q4. This compares to an average of 34% in 2013 and 64% in 2012 and indicates a positive shift towards expansions. Furthermore, there has been a noted increase in purchase requirements by end users typically for space in the region of 1,000-5,000 sq. m. and for the purpose of light industrial, manufacturing and warehousing activities.

As a result, the vacancy rate fell from 23.8% to 21.7% by the end of December. While the vacancy rate improved in Q4 it remains persistently high which continues to limit speculative construction across the country. Prime rents in Budapest which fell marginally in Q3 were unchanged over the last quarter of the year and stand at €3.40 per sq. m. per month.

Hospitality Market in Hungary

According to the report published by the Hungarian Central Statistical Office, the number of tourist arrivals rose by 5.3% and that of tourism nights by 4.6% at accommodation establishments in 2013. The numbers of international tourist arrivals and tourism nights were up by 5.1% and 4.6% respectively. After a relatively moderate increase in the previous year, domestic tourism was also up by around 5%: domestic tourist arrivals and tourism nights expanded by 5.5% and 4.5% respectively. Tourist arrivals and tourism nights at hotels, accounting for more than three-quarters of tourism, increased at above the average, by 6.0% and 5.3% respectively, and their occupancy rate was 49.8%.

Poland

The following data and description for markets in Poland are based on a report published by Cushman & Wakefield Poland (unless otherwise stated).

Office Market in Poland

Poland continued to experience economic growth in the latter half of 2013, bolstered by a more balanced, broad-based recovery from both the export sector and from domestic demand. However, with business confidence still subdued and high supply outweighing the stable level of demand, the office market has yet to see a similar acceleration in its performance. Occupier demand managed to maintain its low-but-stable trajectory over the quarter. Activity was mostly present in Warsaw’s non-central submarkets, with lease renewals and pre-leases dominating transactions. However, as tenant interest has persisted for modern, high-quality supply, there has been evidence of occupiers relocating from obsolete buildings into higher-quality premises offering increasingly attractive rents. The trend is growing in popularity as office supply in the city submarkets remains high, giving tenants a wider choice of properties at lower costs with more agreeable lease terms. Consequently, prime rents fell marginally in Warsaw’s central business district as well as in a few non-central city submarkets and stand at €13 - €25 per sq. m. per month.

Retail Market in Poland

Along with the improving economy, the occupier market is slowly gaining momentum. Occupier demand is robust as the large fashion retail chains continue to expand, although smaller retailers are still cautious. The retail market is growing at a slower rate compared to previous years, and the expansion is generally limited to the largest towns. Prime rents have remained static for the past 18 months but there are signs that uplifts are possible in selected locations over the coming months as foreign retailers are still keen to expand their network and open new stores in the country. The trend for refurbishments and extensions of existing projects remains a key factor in the growth of shopping centre space.

OUR PORTFOLIO

CPI Group is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central European region. The focus of these activities is within five main sectors: retail, office, hotels, residential and logistics & light industry. A separate reporting area is formed by land bank, special assets and assets under development.

The Group focus on properties, and the total amount of properties, increased significantly in the last few years. This was mainly due to acquisitions of new portfolio in the Czech Republic as well as in the other European countries. A portfolio of the Hungarian real estate investor ABLON Group became a new and very important part of CPI Group´s portfolio at the end of June 2013. Moreover, the Group acquired a real estate portfolio from ENDURANCE Funds in autumn 2013.

The significant enlargement due to these acquisition has enabled CPI Group to experience a quick and relatively safe expansion into new European markets in Poland, Hungary and Romania. Thanks to the stable and professional team at the ABLON Group and ENDURANCE Fund, time and financial delays have been avoided due to their successful past experience and knowledge of the local market.

As a result of new acquisitions, the total value of CPI Group investment property portfolio has increased from CZK 49 billion as at 31 December 2012 to CZK 70 billion as at 31 December 2013.

CPI RETAIL ASSETS

Key Figures – 2013

90.40	%	183	
occupancy		number of properties	
1,510 million	CZK	22,427 million	CZK
rental income *		investment property	
611 thousand	sq. m.	7.45	%
rentable space		gross return	

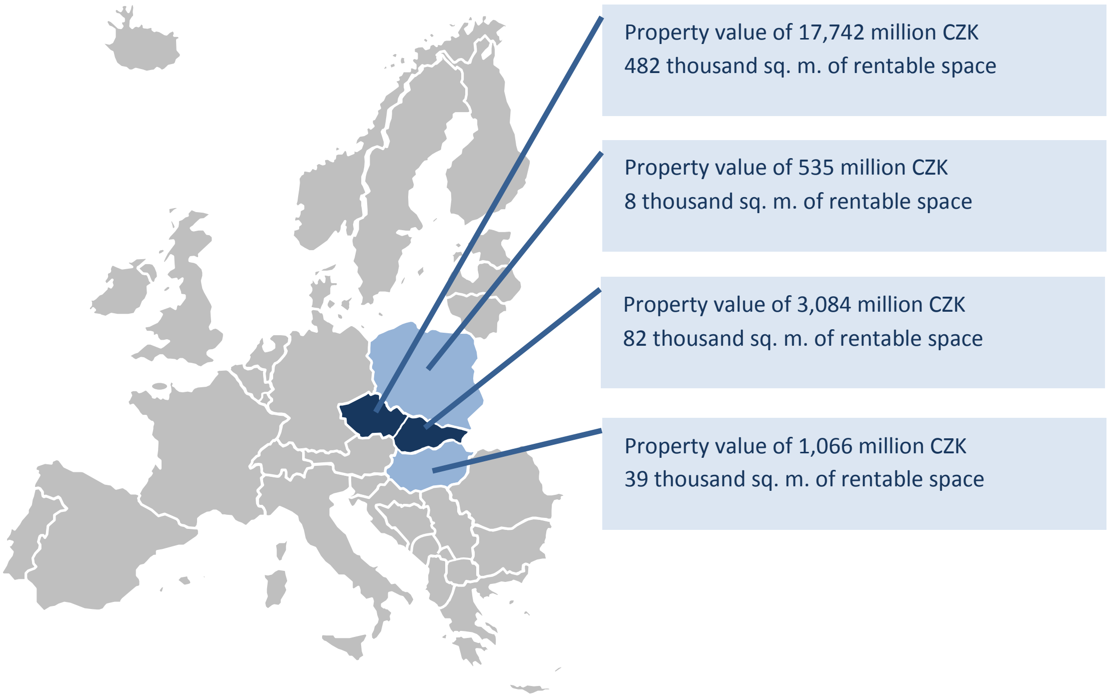
*rental income as presented in the financial statements (does not represent annualised income)

In the portfolio of CPI Group, retail historically represents a very stable segment which is flexible enough to adapt to market conditions and economic changes without substantial losses. CPI Group concentrates on mid-sized shopping areas as retail parks and supermarkets with long-term contracts which generate permanent income and opportunities for future development of the area. Retail properties of the Group are characterised by great diversity, both in the physical form as well as in their geographical distribution over the Czech and Slovak Republics. As a result of 2013 acquisitions, the retail portfolio extended and now include also shopping centres and retail parks in Hungary and Poland.

The Group currently owns and manages retail space in the Czech Republic, Slovakia, Hungary and Poland and maintains relatively high occupancy rate. For internal asset management, the portfolio is further divided into following sub-segments:

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

Current retail portfolio



CPI Retail Park Pelhřimov with a rentable space more than 2,400 sq. m. represents the 24th retail park in portfolio of CPI Group. Among the major tenants belong brands like Sportisimo, Euronics, DM Drugstore, Dráčik toy store, CCC shoes and household goods Orion.

Europeum Shopping Center is situated in the intersection of Rákóczi Road and József Boulevard in the bustling centre of Budapest. It has a retail area of more than 6,000 sq. m., a Marriott Courtyard Hotel on the top floors and underground parking for a total of 300 cars. Shopping mall include clothing and fashion stores as well as other units providing a great variety of services.

Galerie Orkana is one of the largest shopping centres in Lublin, which CPI Group acquired through the acquisition of ENDURANCE Fund. Opened for business in 2006, it is a modern property offering over 7,000 sq. m. of retail space on two levels. A group of over 50 tenants run their shops, dining outlets and services here; many of them well know Polish and international brands, including Rossmann, Marionnaud, Orsay, Camaieu, Top Secret, Reserved, W. Kruk, Vision Express, Inglot and many more. The well-balanced mix of service and retail sales outlets has drawn massive numbers of local shoppers and business partners interested in tenancy here. The current occupancy rate is close to 100%.

Galerie Fenix represents newly acquired multifunctional complex in Vysočany, Prague. The complex was opened in 2008 and offers over 14,000 sq. m. of retail space. More than 80 shopping and service units is accompanying with a food court and fitness centrum. In addition to retail space, the building features a four stars Clarion Congress Hotel Prague and underground parking for more than 600 cars.

Arkáda Shopping Centre also represents newly acquired shopping centre in CPI Group portfolio. A rentable space of 9,950 sq. m. provide more than 30 business units. Among the major tenants belong brands like Sportisimo, CCC shoes, DEICHMANN, and Takko Fashion.

The year 2013 was particularly successful in respect to renewal of existing leases at almost all shopping centres and changes to the tenant mix at selected premises.

The contracts with important partners have also been extended in the sub-segment of Retail warehouse. Sportisimo extended the lease in Mělník, Trutnov and Náchod retail parks; Baťa and Hervis extended co-operation in OC Nová Zdaboř and five additional lease contracts have been renewed with Deichman in Mělník and Trutnov retail parks and in Nitra, Komárno and Dunajská Streda retail parks in Slovakia.

CPI Group has also secured new tenants in the existing premises. This includes Paul Unie and ZooWorld in Mladá Boleslav; Café Servis and TEDi in Dunajská Streda and Pepco in Senice.

CPI Group introduced a new plan that includes the rebranding of retail parks and the creation of a single network of retail parks under the City Market brand. This concept includes all properties in the Czech Republic, Slovak Republic and now in Hungary. Implementation will take several years. The aim is to unite the diverse brand portfolio, and have a uniform standard, so both tenants and customers will be offered something different from the competition. In the future, this should create more business and marketing opportunities.

CPI OFFICE ASSETS

Key Figures – 2013

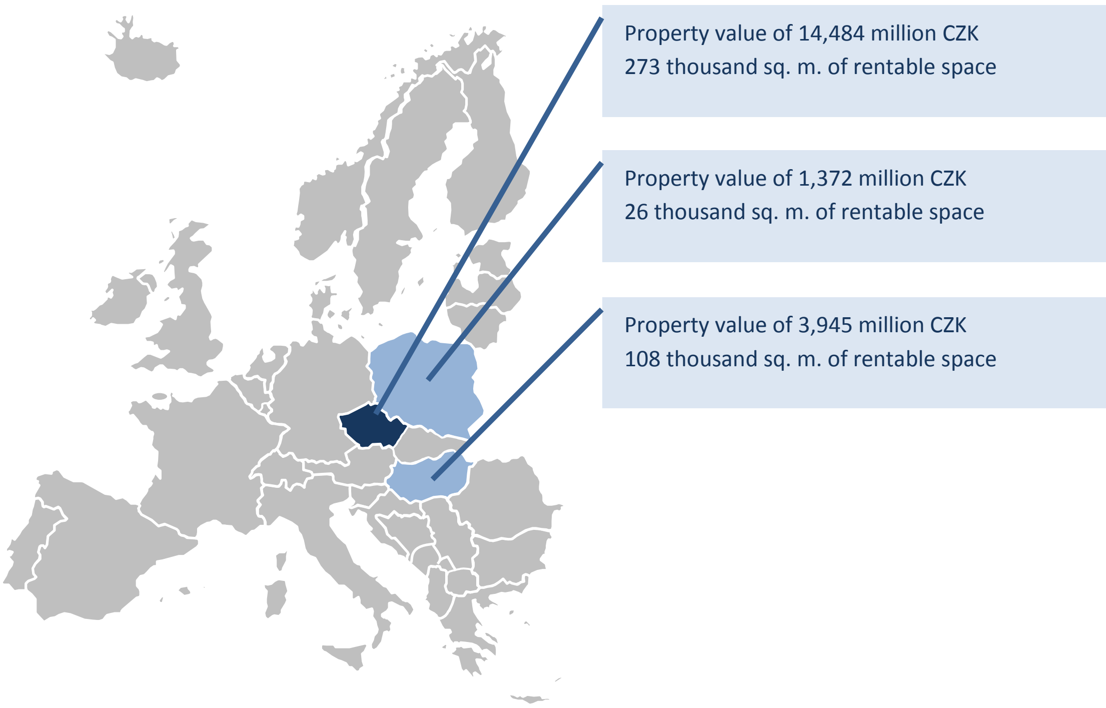
83.90 %	41
occupancy	number of properties
943 million CZK	19,801 million CZK
rental income *	investment property
407 thousand sq. m.	6.93 %
rentable space	gross return

*rental income as presented in the financial statements (does not represent annualised income)

Office space forms an important and constantly growing segment of investment and development activities of CPI Group. The Group is represented in existing administrative buildings at prestigious addresses, as well as with the designing and construction of its own office buildings in Prague and regional Czech cities. Development particularly includes multipurpose complexes with administrative and business functions, a convention centre, hotel and adequate facilities.

The year 2013 was particularly significant in terms of the expansion of office space for properties in Hungary, Poland and the Czech Republic. These properties belonged to the former investor ABLON, which became part of CPI Group at the end of June 2013 and the real estate portfolio of former ENDURANCE Funds acquired in autumn 2013. As a part of these acquisitions CPI Group among others acquired three prestigious administrative buildings in Prague, namely the headquarters of the ČEZ company (BB Centrum Building E), Luxembourg Plaza and BesNet but also attractive administrative buildings in Warsaw and Hungary.

Current office portfolio



In addition to investment opportunities in 2013, which were particularly successful, the overall occupancy of administrative space in the Czech Republic increased as a result of active portfolio management. CPI Group has entered into 20 new leases totalling 6,240 sq. m. Among the new tenants were companies like AWD in Ústí nad Labem, Cleverlance in Brno, Wincor Nixdorf and RK Stejskal (Century 21 franchise) in České Budějovice, UniCall in the Prague complex City West and several smaller companies in Tábor and Liberec.

Noteworthy is also the renegotiation of existing contracts in excess of 26,000 sq. m., which includes the extension of the lease with the Supreme Audit Office (9,500 sq. m.), the contracts with Essox in České Budějovice (1,200 sq. m.) and Nestle Corporation in Prague (10,200 sq. m.). Satisfaction of the companies is also reflected in their expansion in CPI Group buildings, and even across the Czech Republic. An example is the expansion of UniCall in the IGY building in České Budějovice, which also signed a contract to lease space in City West in Prague. Similarly, cooperation increased with Attigente. In addition to expanding in the CPI City Center complex in Ústí nad Labem, it also relocated its Prague office to a building in Vladislavova street. Wincor Nixdorf also expanded its presence in the Prague City West building and moved its České Budějovice branch to the IGY centre.

In May, a part of the multifunctional project under the brand of **CPI City Center** was opened in Olomouc. The complex includes an administrative building with retail units, a hotel and a convention centre for 1,200 people. It is situated in the immediate vicinity of the Regional Authority building and the main railroad station area, which is within the wider city centre. The major tenant is Raiffeisenbank, which opened its doors in June 2013 and occupies around 5,000 sq. m.

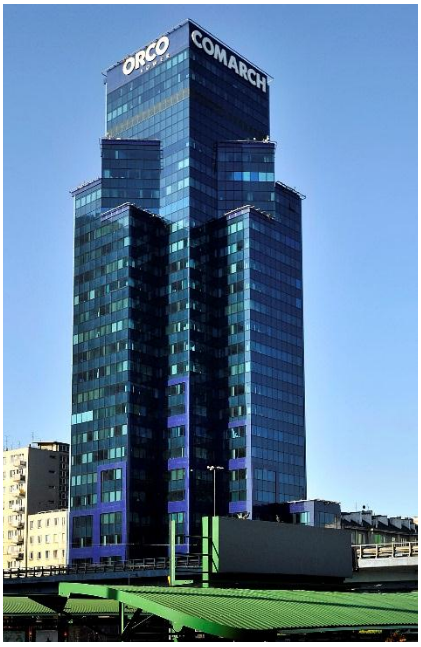
The following major office properties became a new part of CPI Group office portfolio:

Gateway Office Park is located in one of the fastest developing and most fashionable business district of Budapest. The exclusive high tech office building guarantees a prestigious appearance for tenants, which is further enhanced by the impressive location on the banks of the Danube River. The exceptionally large building by Budapest market standards featuring three towers harmoniously melts into the cityscape. Numerous services, including a post office, gym, carwash, grocery store, restaurant, and café serve the comfort of people working in the building. The three eight-storey towers offer a 35,900 sq. m. gross leasable area and 422 covered parking spaces.

M3 Business Center complex completed in 2008 at the exit of Highway M3 provides easy access toward the eastern part of the country. With the metro station next door, downtown Budapest can be reached without difficulties. The building is in the immediate vicinity of one of the capital's most attractive residential areas, as well as the diplomatic district of Budapest. It offers 18,000 sq. m. of leasable area, 225 outside parking spaces and an additional 121 parking spaces are available for tenants in the underground parking. Because of its rectangular shape, the utilization efficiency of the building is one of the best in the city.

Business Center 99 is designed as a 4-building office complex, situated in the main business corridor district of Budapest. According to the plans, the currently two-building office complex will expand with two other office buildings in the future. The current building complex has total leasable space of 17,300 sq. m. and offers offices of various sizes satisfying different needs of tenants. The next two phases of the development will increase the leasable area to 53,400 sq. m.

Luxembourg Plaza is unique multifunctional project which offers variety of modern, high-quality office space in one of the most lucrative locations in Prague, between Vinohrady and Žižkov. In addition to office space, the building features a hotel, commercial space as well as three-level underground secured parking. The attractive design with a distinctive stone and glass facade is a work of world well-known architectural studio. It merges modern architecture with high quality materials and long term experience of the team to create one of the most modern and technically advanced office building in Prague.



Orco Tower is a landmark building, the 115 meters high, B+ Class property on 26 floors constructed in 1995 and offers in excess of 14,000 sq. m. of high quality office space. The property is situated in a prominent location within the Warsaw's Central Business District with easy access to trams, buses and the nearby Central Metro Station (5 min.) and Central Railway Station. Apart from the unique central location, Orco Tower offers flexible office space, 24-hour reception desk. Teleaudio, Comarch and UPM Kymmene represented major tenants.

Prosta 69 provide office space divided into two parts; 9-storied part A and 7-storied part B, with the total rentable area about 11 000 sq. m. There is an offer of high quality office space, flexible floor layouts, over 140 parking places. The building is located in Warsaw's Wola district, approximately a half kilometre from the heart of the Central Business District. This easily accessible area has excellent transport connections to the main points of Warsaw. Among the main tenants belong PTK Centertel, G4S, Universited Warszawski.

CPI HOTEL ASSETS

Key Figures – 2013

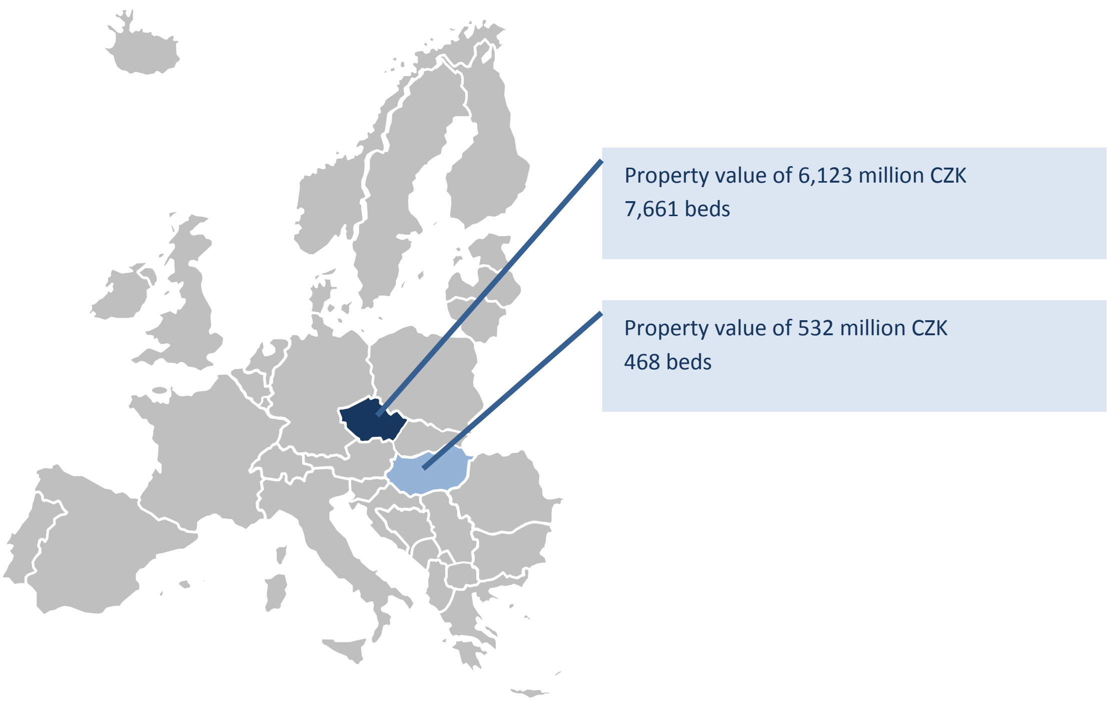
17 number of properties	**6,655 million CZK** investment property and owner-operated assets
207 million CZK rental income *	**8,129** number of beds

*rental income as presented in the financial statements (does not represent annualised income)

Hotels and long-term accommodation form one of the oldest components of CPI Group property portfolio. The Group is one of the largest Czech owners and developers of hotel and long-term accommodation. The hotel network currently amounts to 16 hotels in Prague and regional cities used for rental and one owner-operated hotel in Budapest. 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 two to five star category. The flagship of the Group is a network of four-star Clarion hotels aimed at the corporate and congress clientele.

The existing and newly opened CPI Group hotels show that the Group offers cutting-edge facilities in this segment, and in conjunction with an experienced and quality operator, are easily able to compete within Prague and also outside of the capital.

Current hotel portfolio



Courtyard by Marriott Budapest City Center hotel has recently become a new addition to the portfolio. It is located at the heart of Budapest, only a few minutes away from the Rudas Thermal Bath, Buda Castle and Erzsébet Bridge. The hotel which is among the newest hospitality offerings of the Hungarian capital, having opened in 2010, has 235 bedrooms and is a part of the **Europeum Shopping Centre**.

In spring 2013, CPI Group finished reconstruction on part of the residential accommodation, restaurant, and wellness and fitness centre of the **Clarion Congress Hotel Ostrava**. It also finished construction of a new multipurpose congress centre, with a capacity of 1,400 people, and a large capacity parking lot. The hotel has 169 bedrooms and apartments. Thanks to a complete renovation, it now offers the most modern accommodation and comprehensive services in Ostrava and the north Moravian region. Catering is also within its offer of services. CPI Hotels has remained the hotel operator.

Clarion Congress Hotel Olomouc was opened in September 2013. The four-star congress hotel resulted from a reconstruction of the former Sigma hotel and construction of a multipurpose congress centre. The eleven-story hotel offers 126 rooms with two beds, including two apartments and a business apartment. Moreover, the hotel has a restaurant for 450 guests, a lobby bar and high-quality congress facilities. Event organizers can use a flexible multipurpose hall for up to 1,200 people and four additional lounges with a capacity of up to 318 people. A lobby bar and large 900 sq. m. foyer is also available, as well as a wellness and fitness centre for hotel guests.

Clarion Congress Hotel Prague is situated in a modern part of Prague - Vysočany, just 15 minutes from the historical centre of Prague. The excellent transport accessibility and perfect service facilities make it popular both with individual visitors and business clients. The hotel offers 560 rooms and luxury apartments, variable conference rooms with high-tech equipment in all spaces with total capacity of 2,500 seats. It also offers various restaurants, bars, a wellness and fitness centre and a shopping mall **Galerie Fenix** right next to the hotel.

Building the Clarion brand and reconstruction of regional hotels into modern multipurpose hotels that offer high-quality services has resulted into positive feedback from tourists and companies and has given the hotels a high rate of occupancy. Within the multipurpose projects, the extra services offered by the hotel are especially appreciated by office leaseholders. Reconstruction, or construction of other hotels is a long term issue at the moment and depends on regional development. CPI Group is also interested in expansion beyond the Czech borders and possible acquisitions of attractive assets outside of its home market.

CPI RESIDENTIAL ASSETS

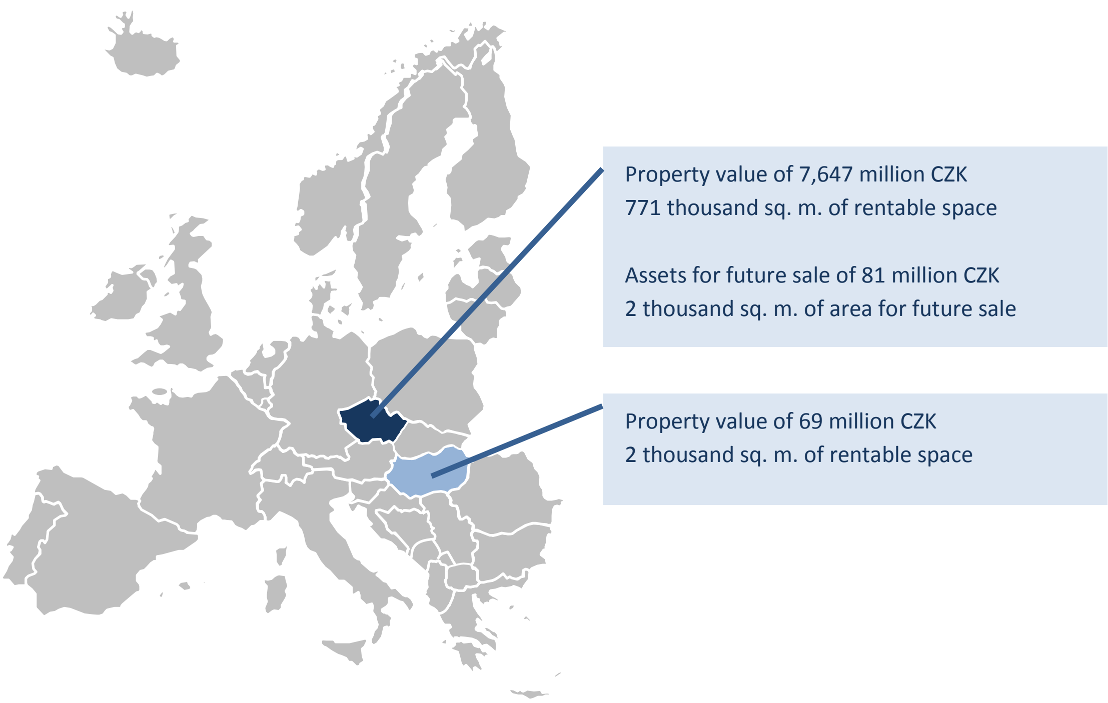
Key Figures – 2013

78.58	%	occupancy
12,602		number of apartments
484 million	CZK	rental income *
7,797 million	CZK	investment property and assets for future sale
775 thousand	sq. m.	rentable space and space for future sale
6.28	%	gross return

*rental income as presented in the financial statements (does not represent annualised income)

Residential properties have been at the forefront of 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 12,600 apartment units. 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 intended for future sale mainly in Prague and Central Bohemia.

Current residential portfolio



The core activity within the residence segment is rental housing. The existing housing stock of CPI Group includes 12,602 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions under its subsidiary CPI BYTY, a.s. This company focuses on the operation and management of its rental housing portfolio.

A new business policy of supporting services in favour of the leaseholders, and continuous restoration of the apartments, contribute positively to the stability of the relationship with leaseholders.

Besides the investment into restoration of the apartments, the first steps concerning reduction of energy consumption and lowering costs of living for the leaseholders have taken place. The very first step was complete replacement of the apartment’s central heating system and changing the energy provider at the Sever housing estate in Česká Lípa. The former distribution system was replaced by pumping devices in the houses. After several years of preparation, the gradual replacement and installation of new equipment started in the spring and was completed by the end of this year.

In the first half of 2013, CPI BYTY began with the implementation of a new corporate design, which should contribute to the perception of the company as an active, reliable partner for long-term living arrangements. All aspects for everyday use, and redesign of all materials were completely implemented.

Among the recently acquired projects of ABLON Group is one completed project of flats intended for future sale called Residence VIVA, located in Prague surroundings. The whole complex consists of three brick semidetached houses, each with four floors is receding last floor, which gave rise to the spacious terraces. Semi-detached house is always connected to a common entrance to the underground part of the house, where there is both cellar and parking space. Each house provides a total of 54 duplex housing units, divided into two sections of 27 flats. At the end of the year 101 flats were already sold.

CPI Group

CPI INDUSTRY AND LOGISTICS ASSETS

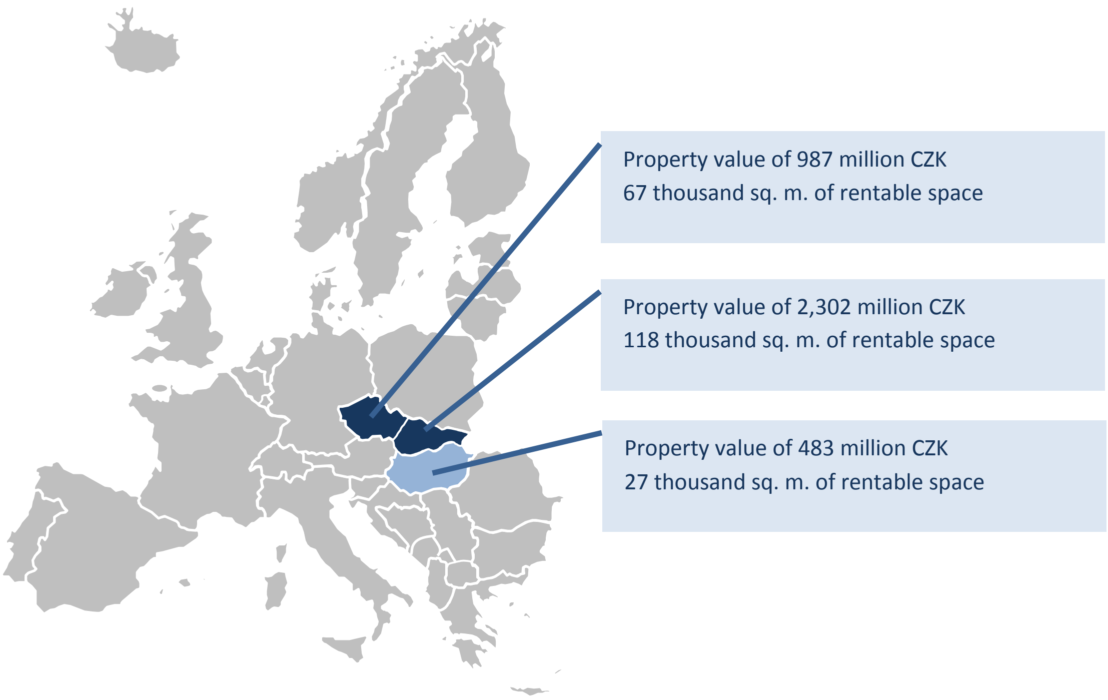
Key Figures – 2013

92.52	%	occupancy
16		number of properties
278 million	CZK	rental income *
3, 772 million	CZK	investment property
212 thousand	sq. m.	rentable space
7.91	%	gross return

*rental income as presented in the financial statements (does not represent annualised income)

Logistics is the youngest sector in the history of CPI Group and continues to expand. The portfolio grown thanks to a new Logistics Park in Hungary acquired in the first half of 2013. CPI Group currently owns about 212 000 sq. m. of rental space and manages 16 objects used for light industrial production, including the Continental Logistics Park in Brandýs nad Labem, as well as Autologistics Park Lozorno in Slovakia.

Current industry & logistics portfolio



The newly acquired **Airport City Logistic Park** includes 3 completed buildings which currently provide 26,500 sq. m. of leasable area and plans for further expansion. The nine-building complex will be completed in several phases, according to tenant requirements. In addition to warehouse functions, office spaces are also available in each building. Airport City Logistic Park attracting domestic and international transportation firms and industrial companies for whom the vicinity of Liszt Ferenc Airport, Highway M0 and easy access to the city centre are equally important.

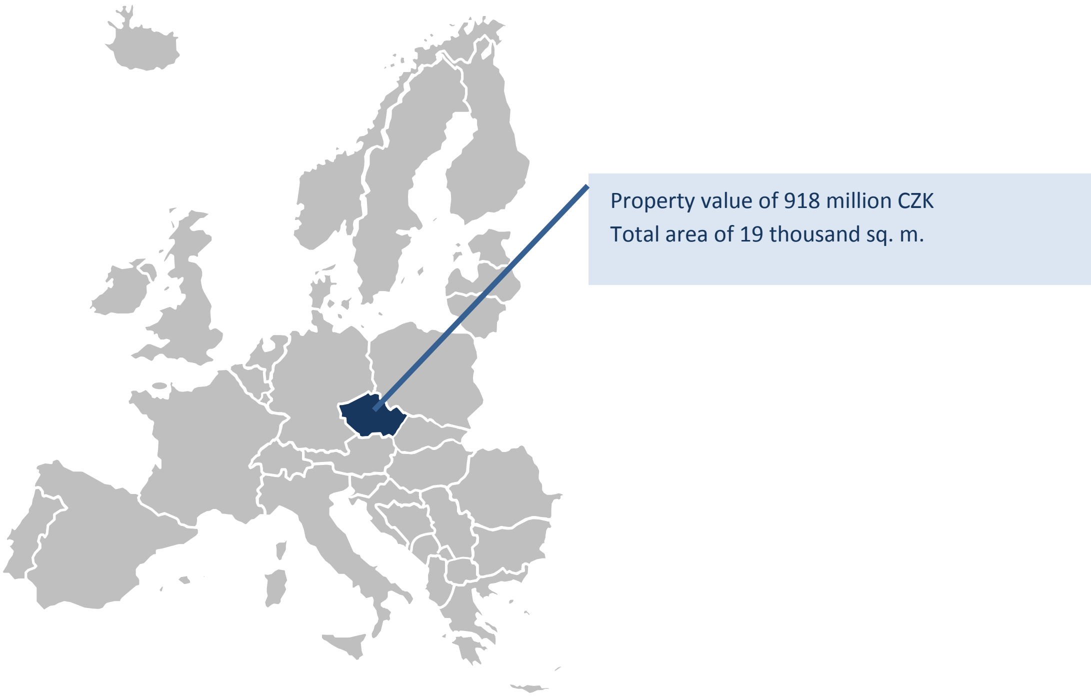
CPI SPECIAL ASSETS

Key Figures – 2013

19 thousand sq. m.	918 million CZK
total area	investment property

CPI Group has begun a unique project for the future use of the former Živnobanka building in the centre of Prague. The historically valuable building is going to open to the public and will offer several exhibitions of glass and utility design where an installation of Glass Experience, developed with renowned Czech glass company Lasvit, will be the main attraction. Prague will have one of the largest exhibitions of its kind on the area of 3,500 sq. m. The concept will also include a café and a restaurant, thematic programs for families, and also boutiques, showrooms and offices. The public areas will be complemented by retail spaces with glass, light and design and a wide variety of events and educational programs.

Current special assets portfolio



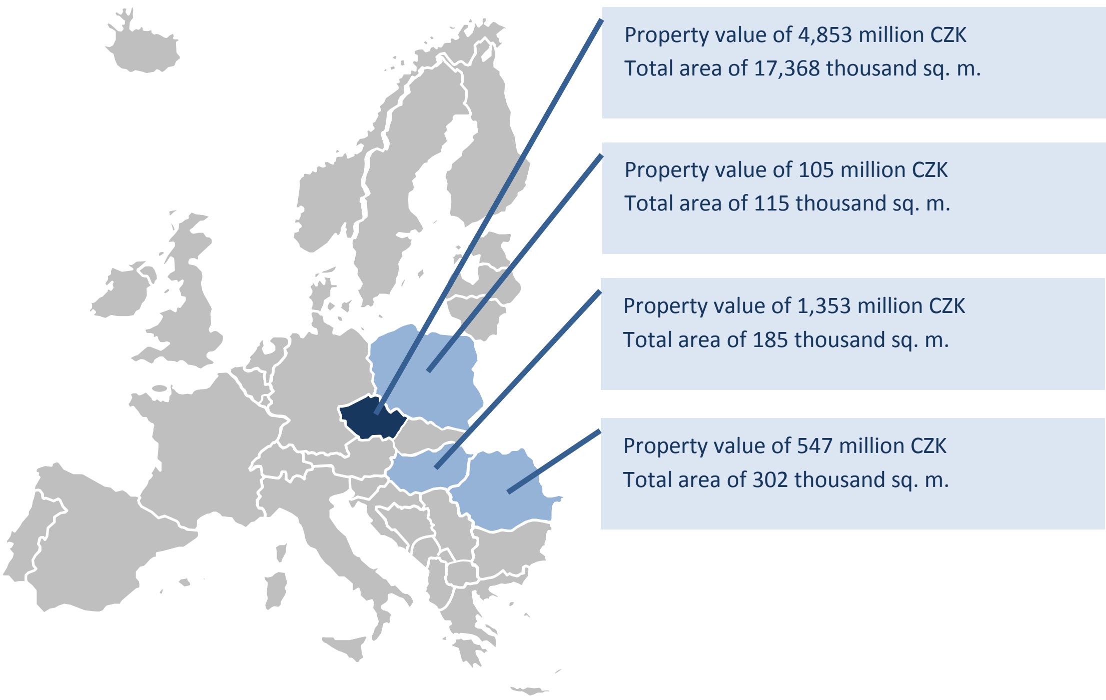
CPI LAND BANK

Key Figures – 2013

17,970 thousand sq. m.	6,858 million CZK
total area	investment property

In addition to its assets (such as buildings and development projects), CPI Group has a rather extensive portfolio of land throughout the Czech Republic and Slovakia, as well as in Hungary, Poland and Romania. It reaches nearly 18 million sq. m. Plots are often in attractive locations, either separate or adjacent to existing commercial buildings or in the city centre, and their value continues to increase with the growth of surrounding infrastructure. One significant advantage pertaining to the Group's cash-flow is the absence of bank loans on land. Loans are only taken out as a matter of strategic planning and demands of the Group within the area.

Current land bank portfolio



The most important land bank in the Group's portfolio mainly include land in the Ústí nad Labem region, which is very often adjacent to the emerging highway, or in Plzeň Region; smaller lands are distributed all over the Czech Republic. Among the recently acquired lands as a part of ABLON and ENDURANCE portfolio are plots intended for future residence, office and industrial projects in Hungary, Poland, the Czech Republic and Romania.

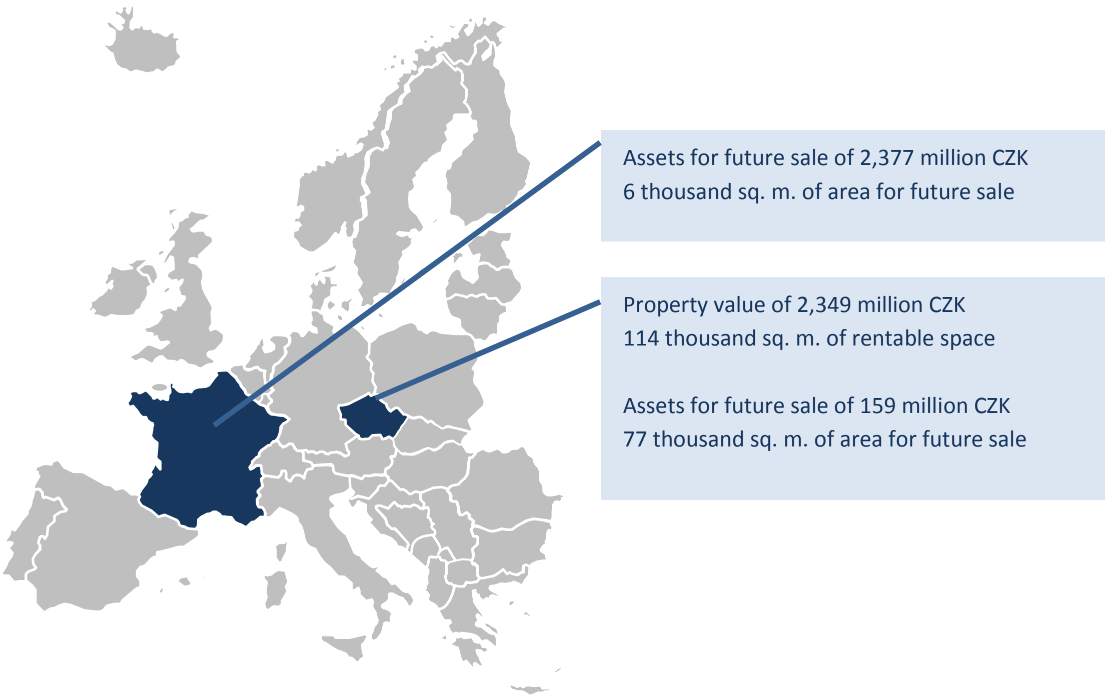
CPI DEVELOPMENT

Key Figures – 2013

114 thousand	sq. m.	2,349 million	CZK
future rentable space		investment property	
83 thousand	sq. m.	2,536 million	CZK
space for future sale		assets for future sale	

CPI Group views development as a mean of increasing the value of land or other assets by new construction. These assets will remain in the Group's portfolio and will be the subject of a future rent or are planned for future sale.

Assets under development



The biggest attention is now devoted to the completion of current development projects which mainly include QUADRIO, a multipurpose project of administrative and shopping complex in Prague; Meteor Centre Office Park in Prague; renovation of the residential complex Palais Maeterlinck in France or construction of Jižní stráň family houses.

The largest current project is the **QUADRIO multifunctional business complex** which is located in the city centre of Prague and includes a four floor shopping mall, Grade A office space, a residential house with luxury flats and a green plaza. Completion is scheduled for autumn 2014.

The shopping centre will have a total area of 8,500 sq. m. and consists of two underground and two over ground floors. The gallery already claimed 100% occupancy at the end of 2013. Current tenants include brands such as Promod, Calzedonia, Neoluxor Bookstore, Tchibo, CCC shoes, Sephora Perfume and Cosmetic Store, Tescoma, Sparky's Toy Store, Le Chocolat, Thomas Cook Travel Agency, DM Drugstore, Nanu Nana Accessories, iStyle, Sony Center, and more. Part of the shopping halls will be in the underground 2 floor of the complex leading to and from the busy Narodni trida line B underground station and shopping halls located on the 3rd floor will be connected to Tesco's MY Department Store.

Exclusive offices are located on the 3rd to 8th floors, with a floor area of 16,400 sq. m. They give maximum efficiency to the work area, without wasted and unused space. State-of-the-art technology, along with the shape of the building and the efficiency of its spatial arrangement, significantly reduce the building's operating costs. This may ultimately allow savings of up to 10 – 20% and is the reason why the QUADRIO office building aspires to obtain the LEED Silver certification for green operations.

The project also includes **luxurious accommodation** in a separate building that fulfils the requirements of the current lifestyle of residents of European metropolitan areas. The modern accommodation facilities, as well as the whole QUADRIO premises, bring a unique architectural style to the unique locality of historical downtown Prague with beautiful views and easy parking. The residential area includes apartments ranging from small up to large and luxurious taking up the whole floor and featuring a wide terrace, which is a real rarity in the downtown. Prices range from 100 – 150 thousand Czech crowns per sq. m., and at the end of the year, there were only 5 apartments available for sale, which is proof of the project's attrac-tiveness and uniqueness.

The first foreign project of CPI Group represents the resort **Palais Maeterlinck** on the Cote d'Azur in Nice, France. This former home of Belgian poet Maurice Maeterlinck is located on the Azure coast and is situated on a cliff between Nice and Villefranche. Overlooking the Mediterranean Sea, it is one of the most popular locations on the French Riviera. CPI Group bought this resort in 2012 in order to renovate. The area comprises 3 hectares of land and above 5,000 sq. m. of residential area. Reconstruction will enable the creation of luxurious apartment houses, which are intended for sale. The project is planned to be finished in spring 2014, with the interior customised to each client's specifications by spring of the following year. There is a great amount of interest in this facility and some of the residential units have already been reserved.

Meteor Centre Office Park is located in Prague 8 – Karlín, which gradually becomes a prestigious office location near the city centre. The great advantage of the complex is its location right on the underground line B Křižíkova, and also on the tram stop. The city centre is a 5-minute drive away. The last phase of the project **Meteor Centre Office Park – building C** will offer above 5,000 sq. m. of office and commercial space standard. For the some tenants will be available an enjoyable terrace. Phase (C) certainly meets the wishes of the most demanding clients.

PROPERTY VALUATION

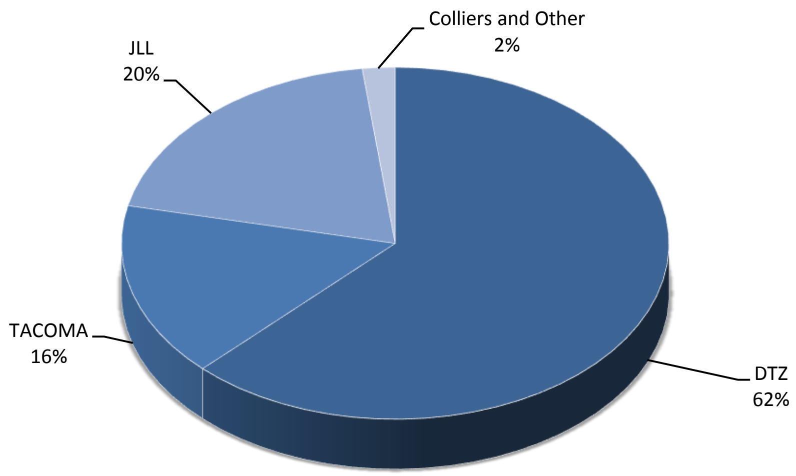
The financial statements of CPI and CPI Group as of 31 December 2013 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by CPI and CPI Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation is based on reports issued by:

- DTZ, a UGL company (further "DTZ"). DTZ and UGL Services are now united under a single global brand - DTZ, a UGL company. DTZ is a global leader in property services. The organization has 27,000 permanent employees and 47,000 co-workers, including contractors, operating in more than 208 offices in 52 countries. In the Czech Republic provides occupiers and investors on a local, regional and international scale with industry leading, end to end property solutions. DTZ in the Czech Republic has over 80 employees operating across 2 offices;
- RSM TACOMA a.s. (further "TACOMA"). TACOMA is part of the sixth largest global network of professional firms RSM International. RSM International operates in 106 countries, has over nearly 700 offices and 32,000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll;
- JLL Jones Lang LaSalle (further "JLL"). JLL is a financial and professional services firm specializing in real estate services and investment management. JLL has more than 40,000 people in 1,000 locations in 70 countries and serve the local, regional and global real estate needs of their clients;
- Colliers International (further "Colliers"). Colliers is a one of the leading commercial real estate services company, providing a full range of services to real estate occupiers, developers and investors on a local, national and international basis. Colliers has more than 13,000 people in 480 offices.
- other valuators.

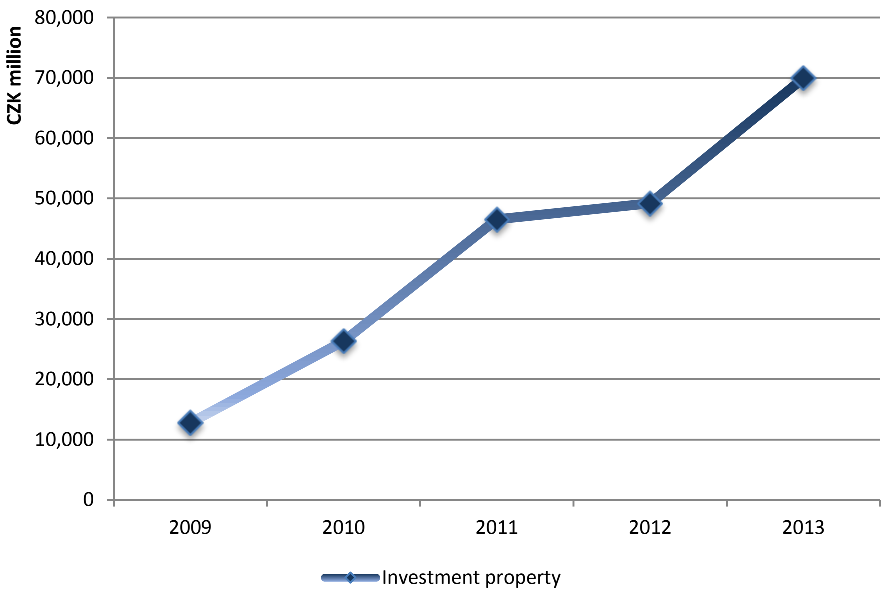
As shown in the graph below, the major part of the property portfolio as of 31 December 2013 was valued by DTZ, followed by JLL and TACOMA.

Chart 1 Investment property 2013



The following graph shows development in the value of the investment property of CPI Group over last 5 years:

Chart 2 Investment property value 2009 – 2013



* Values above do not include property developed for future sale (primarily residential projects), which are disclosed in the financial statements as Trading Property - inventories

Investment property value has rocketed since 2009 as a result of new acquisitions CPI Group has made in the last 5 years and completed development projects.

The value of the investment property, including investment property under development total TCZK 69,963,487 as of 31 December 2013 (2012: TCZK 49,191,249). The increase in value compared to 2012 was mainly attributable to the following:

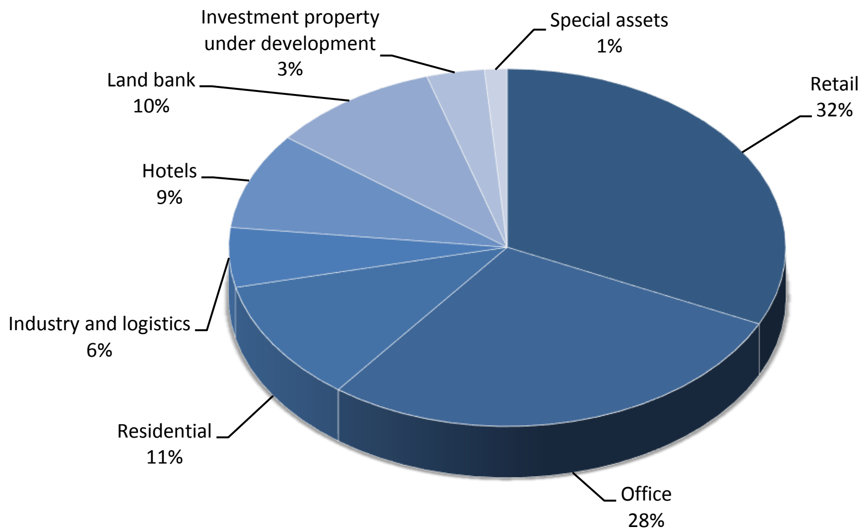
- ABLON group portfolio acquired in June 2013 in total of TCZK 7,698,769;
- acquisition of ENDURANCE funds´ real estate portfolio of TCZK 6,321,317;
- new hotels acquired in total value of TCZK 2,183,603;
- other new property acquired in retail segment and land bank in total of TCZK 1,402,259;
- acquisition of remaining part of QUADRIO development project of TCZK 824,415;
- finished development project in office and hotel segments and ongoing development of multifunctional complex QUADRIO.

Chart 3 Investment property 2012 - 2013

* Development values above do not include property developed for future sale (primarily residential projects), which are disclosed in the financial statements as Trading Property - inventories

Although the Group strengthened its market share in the majority of segments, retail and office still represent the strongest and more stable segments.

Chart 4 Investment property 2013



* Development value above do not include property developed for future sale (primarily residential projects), which are disclosed in the financial statements as Trading Property - inventories

EARNINGS AND BALANCE SHEET ANALYSIS

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

Indicator	Unit	2012	2013	index 2013/2012 %
Operating Revenues	TCZK	2,983,542	3,538,631	118.6
- Revenues from Rental of Properties	TCZK	2,896,215	3,427,645	118.3
EBITDA	TCZK	3,162,570	3,430,911	108.5
EBIT	TCZK	3,147,872	3,390,521	107.7
EBIT Margin	%	105.5	95.8	90.8
Net Profit	TCZK	1,441,666	2,008,932	139.3
EPS - basic	CZK / share	251.16	259.8	103.4
Total Asset	TCZK	64,768,161	85,607,405	132.2
Investment Property (incl. IP Under Development)	TCZK	49,191,249	69,963,487	142.2
Equity	TCZK	21,020,712	25,752,089	122.5
ROE	%	6.9	7.8	113.7
ROA	%	4.9	4.0	81.5

Statement of comprehensive income

Net rental and service related income

Gross rental income rose by 18% from TCZK 2,896,215 to TCZK 3,427,645 in 2013. The growth was primarily attributable to the Group expansion in 2013. Total impact of these acquisitions to 2013 gross rental income was TCZK 317,803. Successful assets management and acquisitions made in the second half of 2012 had also positive impact on the gross rental income. If we considered that all new businesses were acquired at 1 January 2013, the gross rental income would annually increase by about CZK 1.1 billion.

The Group has started to operate own hotel since July 2013. The Courtyard by Marriott Budapest City Center Hotel in Budapest was acquired together with other assets of ABLON group at the end of June 2013. The hotel generated revenue of TCZK 54,493 and operating profit of TCZK 3,114 for 6-months period ended 31 December 2013.

Property operating expenses of TCZK 672,351 remained comparable to prior year. A major part represent repair and maintenance costs of TCZK 380,770 which decreased by 14 %. The rest represents vacancy costs and operating costs which cannot be charged to the tenants. Property operating costs adjusted for drop in the repair and maintenance costs increased by 33%.

Chart 5 Gross rental income 2012 - 2013

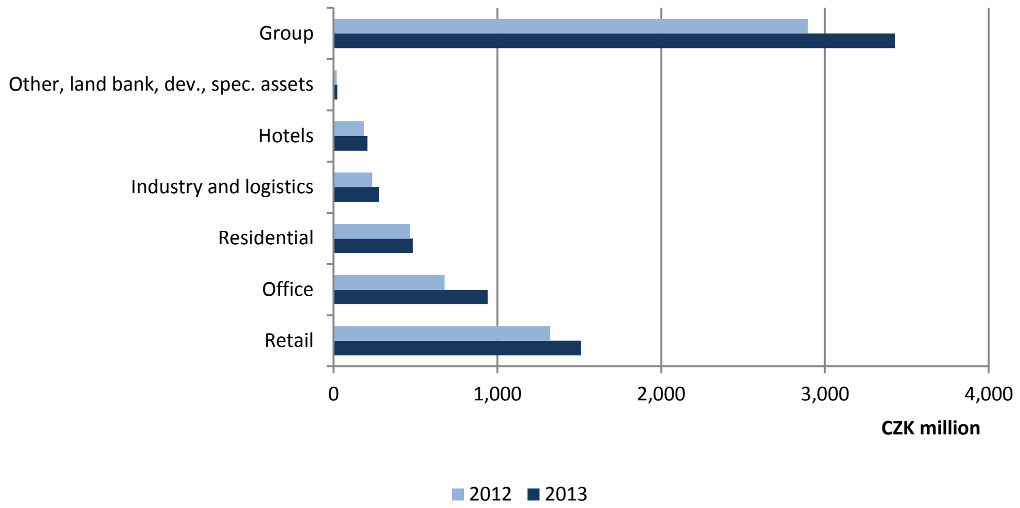
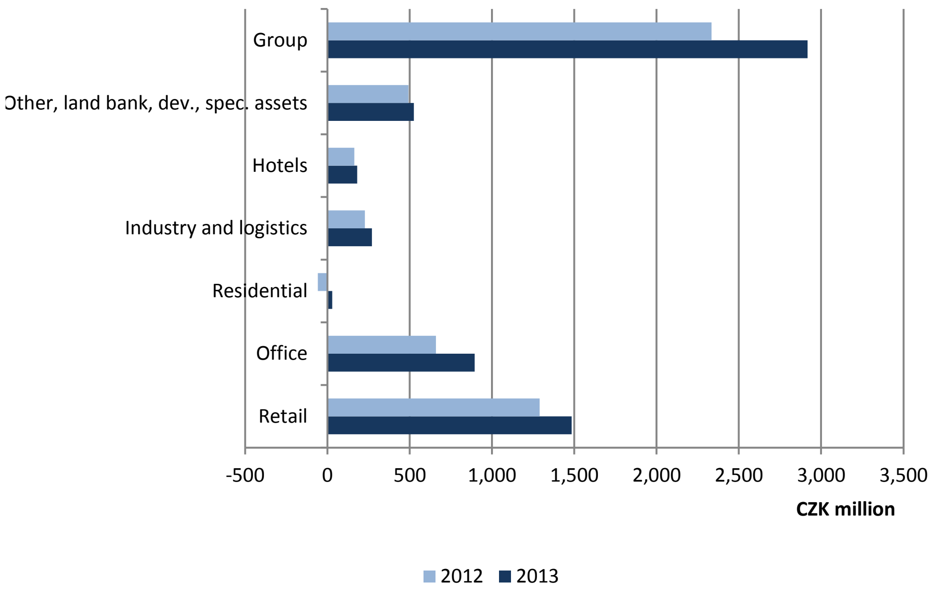


Chart 6 Net rental and service related income 2012 - 2013



Residential portfolio generated a net rental and service related income at the break even as a result of repair and maintenance expenses in CPI BYTY, a.s.

Valuation gain on investment property

Total impact of revaluation of investment property was positive of TCZK 99,710 (2012: TCZK 899,661). From a segment perspective, total net revaluation gains of TCZK 773,955 mainly arisen from residential and retail segments and development were offset by net revaluation losses of TCZK 674,245 mainly generated by office, hotel and land bank segments.

Administrative expenses

Administrative expenses increased by 9% to TCZK 407,786 in 2013 (2012: 374,260). This generally related to the expansion of the Group in the second half of 2013.

Other income and expenses

Other operating income and expenses total to net income of TCZK 174,090 (2012: net expense of TCZK 79,793). The main reason for switch from net loss to net income is a gain on bargain purchase of TCZK 150,204 recognised on acquisition of 50% stake in CPI Národní, s.r.o.

Net finance income / costs

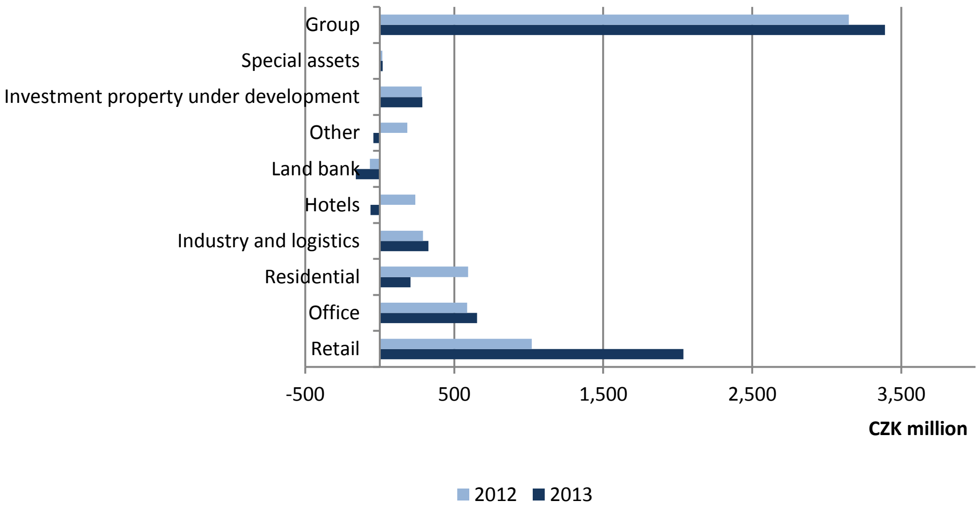
The finance income increased by TCZK 528,786 compared to 2012. This increase was partly offset with an increase in the finance costs by TCZK 207,505 resulting into net decrease in finance costs by TCZK 321,281. The main reasons for changes are described below:

- as a result of conversion of other receivables to non- current interest bearing loans in 2012 the interest income increased by TCZK 251,537;
- CPI Group acquired receivables for a price that was significantly lower than receivables' nominal value. The gain realised from the collection of these receivables totalled TCZK 560,061 (2012: TCZK 426,200);
- an increase in the financing connected with the Group´s expansion in the last two years resulted into increase in total interest costs by TCZK 214,777.

Earnings before interest and tax (EBIT)

EBIT rose by 7.7% from TCZK 3,147,872 in 2012 to TCZK 3,390,521 in 2013. Key drivers having impact on this increase was an increase in the result from property operations by TCZK 25% offset by a decrease in valuation gain by 89%. In addition, the gain realised from collection of receivables as mentioned in the paragraph above had a positive impact on rising EBIT.

Chart 7 EBIT in 2012 - 2013



Negative EBIT in hotels and land bank segments resulted from valuation losses of TCZK 302,196 and TCZK 244,385, respectively.

Taxes

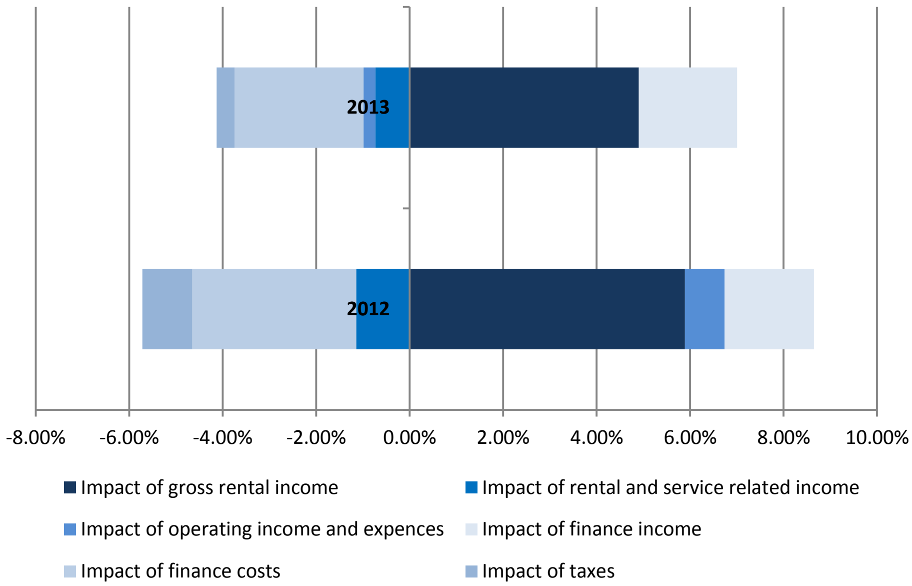
The income before taxes rise to TCZK 2,278,111 in 2013 (2012: TCZK 1,969,671). On the other hand, taxes on income felt down to TCZK 269,179 (2012: TCZK 526,310) and include current income tax expense of TCZK 62,175 (2012: TCZK 88,973) and deferred tax expense of TCZK 207,004 (2012: TCZK 437,337).

Profit for the period

The 2013 profit for the period increased on year-to-year basis from TCZK 1,443,361 to TCZK 2,008,932 of which TCZK 2,009,475 (2012: 1,441,666) represents profit attributable to the owners of the parent company CPI.

Ratio of profit for the period to investment property total 2.87% (2012: 2.93%) and can be split as shown in the graph below:

Chart 8 Return on Investment property 2012 – 2013



Statement of financial position

Assets

Investment property balance, including property under development, rose by TCZK 20,772,238 to TCZK 69,963,487 as of 31 December 2013. The biggest impact has the acquisitions of new businesses as described in detail in the paragraph PROPERTY VALUATION.

Due to ongoing development of luxury residential apartments in Nice, the balance of trading property – inventories increased by TCZK 600,543. In addition, the Group acquired residential project intended for future sale which increased the value of trading property - inventories by additional TCZK 79,852 as of 31 December 2013.

Property, plant and equipment newly include an owner-operated hotel at net book value of TCZK 552,782 as at 31 December 2013, which was acquired as a part of ABLON group acquisition. Hotel is operated under brand Courtyard by Marriott and is located in Budapest, Hungary.

Loans provided decreased by TCZK 1,221,223 to TCZK 5,425,851 as of 31 December 2013. The decrease is primarily connected with acquisition of ABLON group as the loans were set-off with payable occurred upon this acquisition.

Trade and other receivables rose from TCZK 2,763,721 to TCZK 3,723,974. Receivables from tenants and receivable from invoicing the utilities which represent the significant part of the balance rose by 15% as a result of 2013 acquisitions. This increase had no significant impact on bad debts.

Cash and cash equivalent total TCZK 3,005,919 which is by 20% lower than as of 31 December 2012.

Equity (Net assets value)

Net assets value – NAV (total equity including non-controlling interest) totals TCZK 25,752,089 as of 31 December 2013 and compared to 31 December 2012 rose by 23%. Alongside the result for the period, the change was also driven by cash and in-kind contributions by CPI Group owner of TCZK 2,867,949.

The table below shows how NAV is calculated in compliance with the best practice policy recommendations of the European Public Real Estate Association (EPRA).

Net Asset Value (TCZK)	2013	2012
Equity per the financial statements (NAV)	**25,673,873**	**20,932,048**
Effect of exercise of options, convertibles and other equity interests	0	0
Diluted NAV, after the exercise of options, convertibles and other equity interests	**25,673,873**	**20,932,048**
Fair value of financial instruments	190,644	333,023
Deferred tax	6,236,605	3,034,865
Adjustments to above in respect of joint venture interests	0	0
EPRA NAV	**32,101,122**	**24,299,936**
EPRA NAV per share	**4.15**	**3.14**

Liabilities

Interest bearing loans and liabilities and bank overdraft rose by TCZK 7,303,873 (29%) compared to prior year. Substantial part of the increase is attributable to loans acquired through 2013 acquisitions. Weakening Czech crown in the last quarter of 2013 also has negative impact on loan balances denominated in foreign currency. In addition, the Group issued new bonds in several emissions and consequently outstanding bonds balance rose by 84% from TCZK 9,706,752 to TCZK 17,831,132 as of 31 December 2013.

Net debt position, including available cash and cash equivalent is as follows:

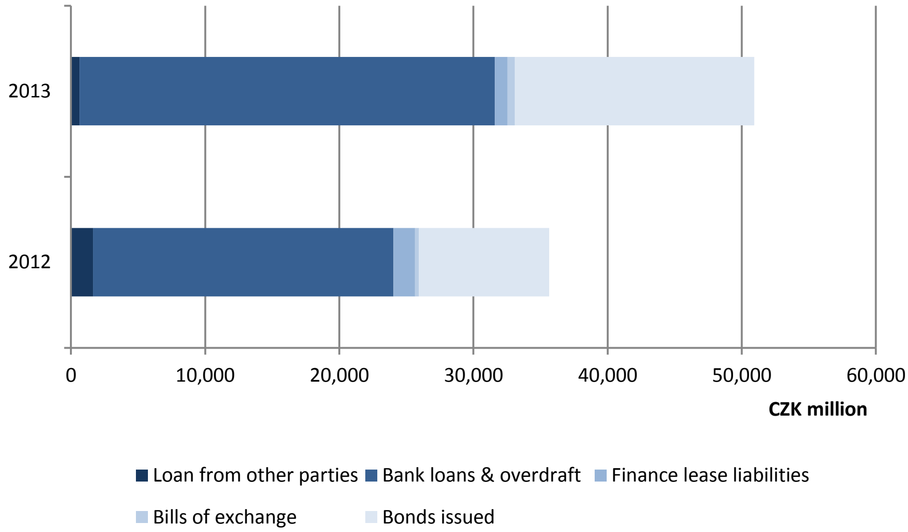
TCZK	2013	2012
Interest-bearing loans and borrowings (non-current)	27,799,121	19,753,369
Interest-bearing loans and borrowings (current)	4,690,884	5,456,067
Bonds issued (non-current)	17,252,523	9,439,705
Bonds issued (current)	578,609	267,047
Bank overdraft	410,094	386,790
Cash and cash equivalents	-3,005,919	-3,777,504
Net debt	**47,725,312**	**31,525,474**

Decrease in trade and other payables reflect the offset of payables from related parties with receivable from in-kind contribution. The Group acquired a deferred tax liability of TCZK 1,435,569 in 2013 which was the main reason of increase as of 31 December 2013.

FINANCING

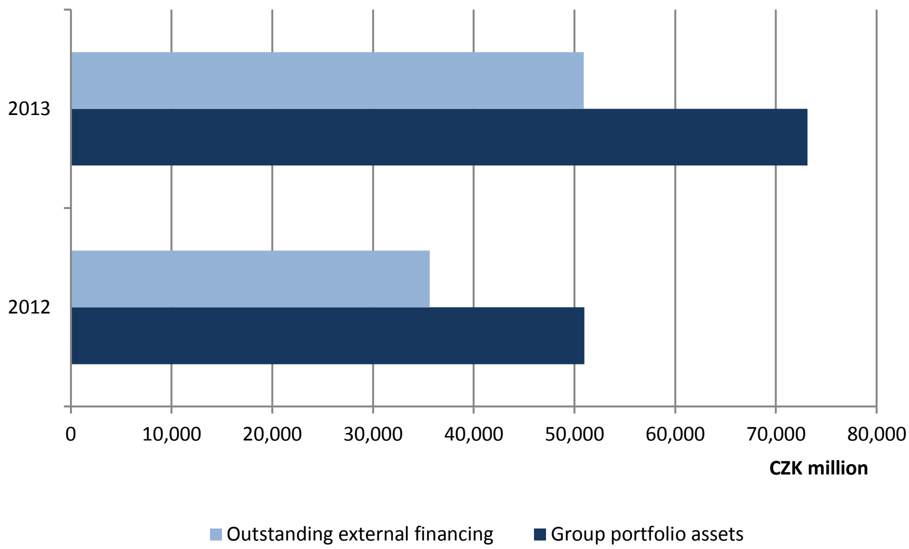
The external financing total TCZK 50,921,875 as of 31 December 2013 (2012: TCZK 35,636,001) and financial costs total TCZK 1,921,537 (2012: TCZK 1,693,370). The structure of external financing do not change significantly compared to 31 December 2012 and bank loans and bonds represented 96% of the Group´s financing (2012: 90%).

Chart 9 Structure of external financing 2012 -2013



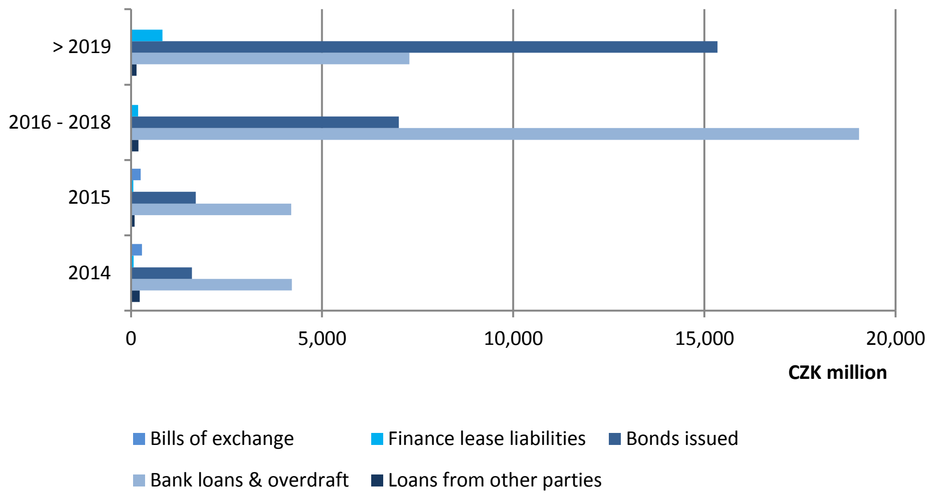
CPI Group continues to focus on establishing the most effective structure of sources of external financing alongside successful management of the real estate portfolio. The share of external financing on property value remained stable at 70% as of 31 December 2013 (2012: 70%).

Chart 10 Group portfolio and external financing 2012 - 2013



The maturity profile of CPI Group's financing based on contractual undiscounted payments (reflecting the earliest settlement of Group's liabilities based on contractual maturity) including accrued interest and related financial derivatives is showed in the graph below:

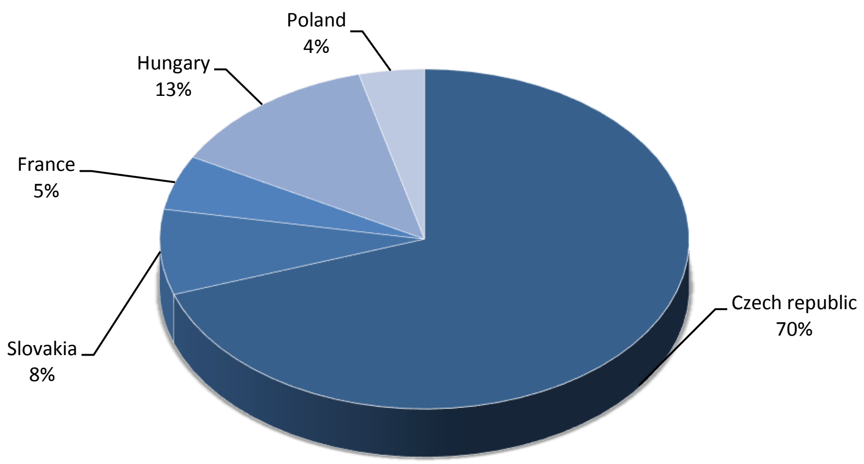
Chart 11 Maturity profile of external financing



Bank loans

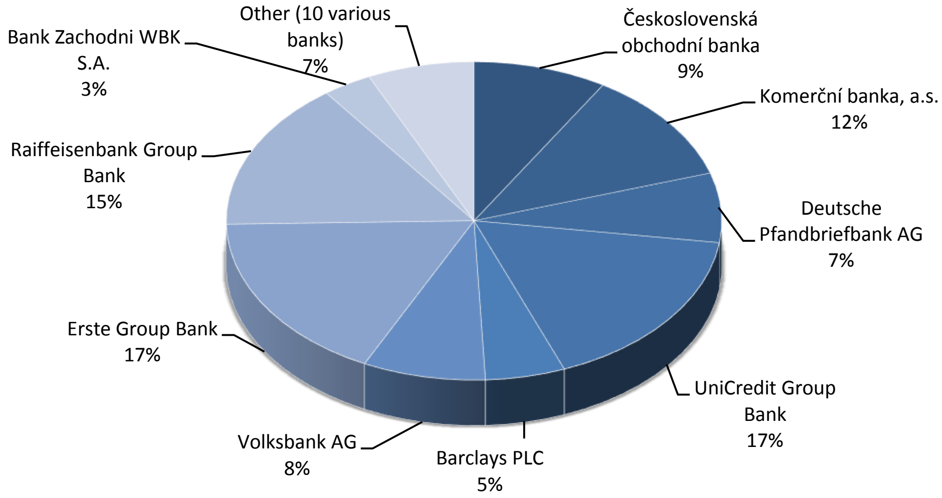
Bank loans balance, including bank overdrafts reached TCZK 30,767,989 as of 31 December 2013 which represents an increase by TCZK 8,703,260 compared to TCZK 22,064,729 in 2012. Increase is mainly linked to acquisition as bank loans of TCZK 11,055,806 were acquired in 2013. This increase was offset by TCZK 2,947,571 prepayment of bank loan. The acquisition also led to the change in ratio of loans drawn in Czech crowns against loans drawn in Euro from 54:46 in December 2012 to 38:62 in December 2013.

Chart 12 Bank loans 2013 by location



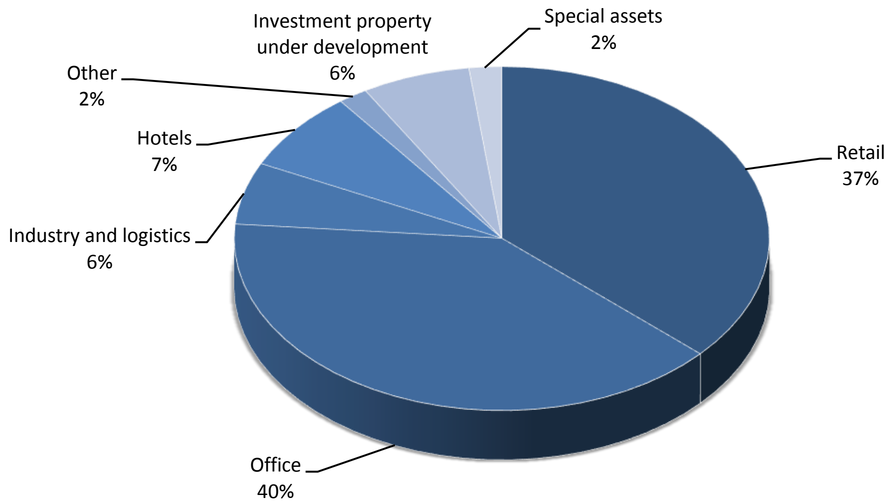
The CPI Group has business relationships with number of banks, about 70% of outstanding bank loan balance is drawn from 5 banks; in total the Group draws 113 bank loan facilities from 20 banks.

Chart 13 Bank loans 2013 by banks



The CPI Group focuses on the secured financing; therefore majority of debts is drawn by the companies within the Group, which held the respective real estate. Unsecured financing is limited to bank overdrafts mainly at the parent company CPI.

Chart 14 Bank loans 2013 by segments



Interest rate fluctuation could have significant impact on the profit of CPI Group. The Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. Notional amount of derivatives total TCZK 10,646,021 (2012: TCZK 8,781,658) and a fixed interest rate varied from 1.56% to 2.32% (2012: 1.36% to 2.3%) The fair value of the swap open position is negative of TCZK 190,644 (2012: TCZK 333,023) as a result of sharp drop in general interest rate level in recent years.

Within the outstanding bank loans balance, 60% bears variable interest, 34% bears variable interest but is hedged by derivatives and 6% bears a fixed interest. Effective costs of financing are 4.09% and 7.0% for bank loans and bank overdraft, respectively. (2012: 4.03% and 6.92%).

CPI Group

Bonds issued

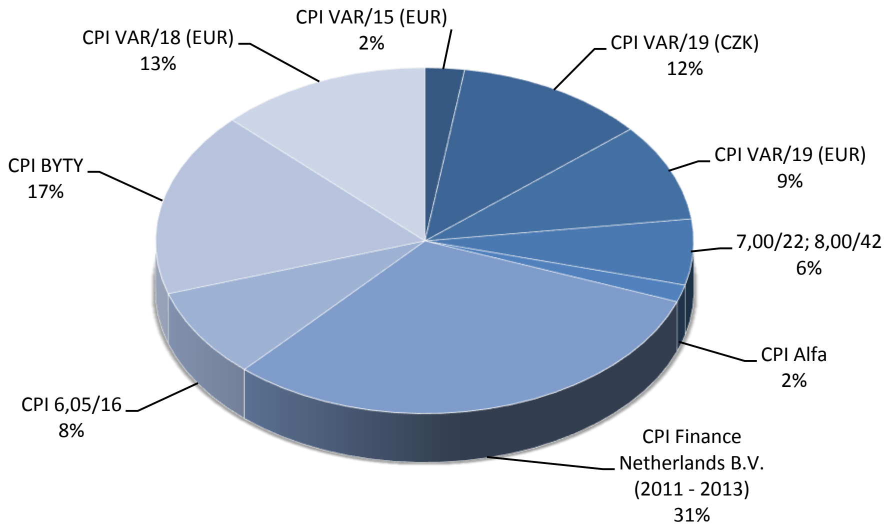
The bonds issued by the CPI Group are summarized in the table below.

Group company	ISIN	Type	Currency	Nominal issued (TCZK)	Balance as of 31 December 2013		Interest rate	Maturity
					Owned by group	Owned by external		
CPI	CZ0003501496	CPI 2021	CZK	2,430,000	2,430,000	-	6M PRIBOR + 3,5% p.a.	08/08/2021
CPI	CZ0003501835	CPI VAR/15 (EUR)	EUR	411,375	-	411,375	6M EURIBOR + 6.5%	23/03/2015
CPI	CZ0003501868	CPI VAR/19 (CZK)	CZK	2,000,000	-	2,000,000	6M PRIBOR + 6.5%	29/03/2019
CPI	CZ0003501843	CPI VAR/19 (EUR)	EUR	1,590,650	-	1,590,650	6M EURIBOR + 6.5%	29/03/2019
CPI	CZ0003502932	8,00/42	CZK	1,000,000	-	1,000,000	8% p.a.	05/12/2042
CPI	CZ0003502957	7,00/22	CZK	1,000,000	1,000,000	-	7% p.a.	13/12/2022
CPI	CZ0003502924	7,00/22	CZK	1,000,000	962,473	37,527	7% p.a.	11/12/2022
CPI	CZ0003502916	7,00/22	CZK	1,000,000	1,000,000	-	7% p.a.	06/12/2022
CPI	CZ0003502940	8,00/42	CZK	1,000,000	968,867	31,133	8% p.a.	17/12/2042
CPI	CZ0003510646	CPI 6,05/16	CZK	1,463,017	-	1,463,017	6.05%	29/03/2016
CPI	CZ0003511024	CPI VAR/18 (EUR)	EUR	2,512,853	298,658	2,214,195	12M EURIBOR + 5,50% p.a.	26/11/2018
CPI Alfa	CZ0003502205	CPI Alfa	CZK	279,000	-	279,000	5,5% p.a.	26/10/2017
CPI BYTY	CZ0003510679	CPI BYTY 2,50/15	CZK	300,000	-	300,000	2,5 % p.a.	07/05/2015
CPI BYTY	CZ0003510687	CPI BYTY 3,50/17	CZK	500,000	-	500,000	3,5% p.a.	07/05/2017
CPI BYTY	CZ0003510695	CPI BYTY 4,80/19	CZK	900,000	-	900,000	4,8 % p.a.	07/05/2019
CPI BYTY	CZ0003510703	CPI BYTY 5,80/21	CZK	1,300,000	-	1,300,000	5,8 % p.a.	07/05/2021
CPI Finance Netherlands		CPI Finance NL - 2011	CZK	5,000,000	400,000	4,600,000	5% p.a.	15/12/2021
CPI Finance Netherlands		CPI Finance NL (2012)	CZK	1,000,000	210,000	790,000	5% p.a.	15/12/2022
CPI Finance Netherlands		CPI Finance NL (2013)	CZK	100,000	91,000	9,000	5% p.a.	15/12/2023
Total balance due to bondholders				**24,786,895**	**7,360,998**	**17,425,897**		
Accrued transaction cost						-173,374		
Accrued interest						578,609		
Total balance after transaction cost						**17,831,132**		

Bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK), CPI VAR/19 (EUR), CPI 6,05/16, CPI Alfa and CPI BYTY were registered for trading on the Prague Stock Exchange.

Except of bonds CPI VAR/19, CPI Alfa and CPI BYTY which are secured by mortgage, all other bonds provide unsecured financing mainly at the parent company CPI level and are generally used as source of financing for current and future investment activities. The significant volume of issued bonds is owned by other companies within the CPI Group which provide the Group with a certain level of flexibility when financing the investment activities.

Chart 15 Bonds owed to external 2013



* analysis above is based on nominal values of bonds issued

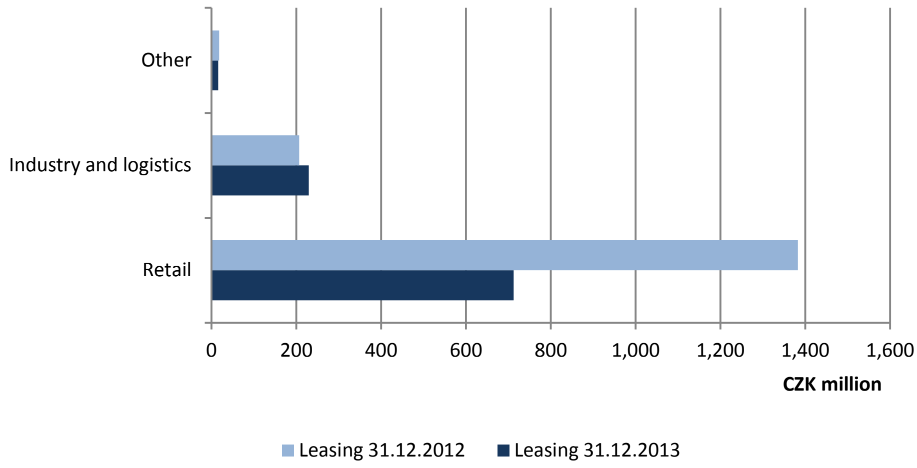
Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR), CPI 6,05/16, CPI VAR/18 and CPI Alfa are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.

Issued bonds CPI BYTY are subject to a number of covenants. According to bonds prospectus the covenant ratios will be calculated firstly for the year ended 31 December 2014.

Finance leases and other loans

CPI Group used finance lease as other option of financing its real estate portfolio mainly in retail segment. Finance lease liability balance total TCZK 958,274 (2012: TCZK 1,607,579). Decrease in balance by 40% primarily reflect acquisition of four leasing companies (lessors) in 2013. Financial leasing bears a variable interest in total of TCZK 44,843 (2012: TCZK 49,993). Effective costs of financing are 2.78% (2012: 3.73%).

Chart 16 Finance lease liabilities 2013



Loans from other parties total TCZK 629,444 as at 31 December 2013 (2012: TCZK 1,642,132). Loans of TCZK 1,380,477 were switched by bonds in 2013 which is the main reason for drop in balance. Effective costs of financing are 7.24% (2012: 7.01% to 7.49%).

INFORMATION ON EQUITY

Data on 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 6,186,996,800.

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 from 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 share capital

The share capital of CPI is CZK 6,186,996,800 and it is divided into 7,733,746 shares with a nominal value of CZK 800 per share.

The share capital of CPI has been paid in full; it is not a subject to any option or exchange rights. CPI is not a direct holder of any of its own participating securities.

Shareholder structure of CPI as of 31 December 2013:

Shareholder	Share in share capital
JUDr. Radovan Vítek	100.00%
Total	**100.00%**

CPI is not aware about any contracts that could result in aggravating the transferability of shares or voting rights

Data on equity

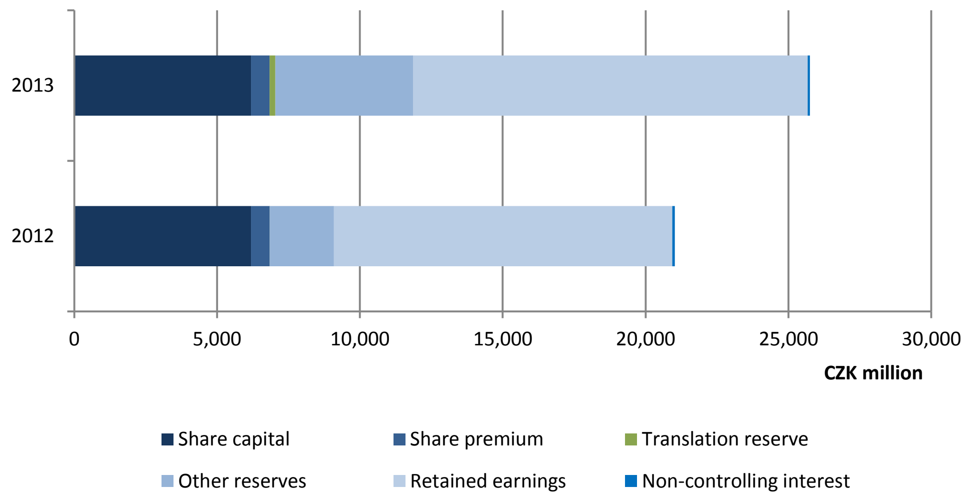
CPI

CPI equity presented in the individual financial statements total TCZK 16,426,447 as of 31 December 2013 and comprised: share capital (TCZK 6,186,997); share premium (TCZK 575,942); revaluation reserve (TCZK 1,241,543); other reserves (TCZK 5,299,317); retained earnings (TCZK 3,122,648). Compared to 2012, the equity of CPI increased by TCZK 3,588,980.

CPI Group

Equity as presented in the consolidated financial statements of CPI Group's total TCZK 25,752,089 as of 31 December 2013 and comprised: share capital of TCZK 6,186,997; share premium of TCZK 652,364; translation reserve of TCZK 201,660; other reserves of TCZK 4,815,559; retained earnings of TCZK 13,817,293 and non-controlling interest of TCZK 78,216. Compared to 2012, the equity of CPI Group increased by TCZK 4,731,377.

Chart 17 Structure of CPI Group equity 2012 -2013



OUTLOOK

The real estate market in the Czech Republic shows increased activity in commercial real estate and residential development at the end of 2013 and early 2014. CPI Group is monitoring the individual transactions within the overall context of its activities and the European markets. During the last two years the Group already showed the preference of investing in interesting pile portfolios, corresponding as a whole to the long-term strategy of CPI Group.

In the area of acquisitions, the Group focuses mainly on new opportunities outside of its current scope of markets. A reliable model of acquisitions which is centred on acquiring completed and functional projects generating considerable income will continue in the near future. The Group is ready to invest in the case of extremely attractive opportunities.

The majority of our attention is currently devoted to the completion of our own development projects, which will increase the value of previously acquired land banks or other properties. These projects are the subject of future rent under the brand of CPI Group.

Among CPI Group ongoing projects, the commercial and administrative centre QUADRIO must be emphasised. During the pre-Christmas period of 2014, this multifunctional project, prestigiously located with great accessibility for both drivers and pedestrians, will enrich downtown Prague with its range of top-quality offices, luxurious apartments, and shopping gallery. Another ongoing project is renovation of historically valuable Živnobanka building of in the centre of Prague. The Group announced that it will open this extraordinarily unique space to the public and will offer one of the world's largest exhibition of glass and design named "the World of Glass". The main attraction for the public will be the Experience of Glass Tour. After two years the building will also be able to offer a café, a restaurant, offices, shops and showrooms focused on glass and design. The first foreign residential project of CPI Group, which is about to be completed is Palais Maeterlinck on the Cote d'Azur in Nice, France. The Group redeveloped the dilapidated hotel complex into the luxury apartments and is currently undergoing sales to international customers. CPI Group is presently monitoring similar exceptional projects elsewhere within the Europe.

CPI Group wants to continue with multifunctional complexes in domestic regions and redevelopments of currently available properties, or of lower category hotels, which form an important part of these projects. The potential for this kind of activity can currently be observed in Hradec Kralové. Generally, the advantage of the synergistic effect arising from individual functions of the multifunctional complex has a positive effect on tenant´s comfort and complex´s operating costs. Therefore the scope of services that come with multifunctional centres gives them a competitive advantage. Particularly attractive are locations in Prague 9, where CPI Group owns a large plots of lands. Fortunately the ownership of these real estates, enable the Group to build new multifunctional projects in locations which already has excellent infrastructure and services.

Concerning residential development CPI Group will focus on exclusive residential projects in response to a high demand for these properties on the market. These smaller scale projects, with quality and price exceeding the standard range, that are offered by other companies, are focused on a specific customer group. Current market data shows that projects with a price of CZK 100,000 per sq. m. are highly sought after. Similar projects combined with exceptional locations create ideal conditions for future demand. One of CPI Group's residential projects is the ongoing construction of the above-mentioned complex QUADRIO, offering exclusive residential units for sale or lease in the heart of Prague. The interest of affluent clientele for these types of properties is not in decline. Consequently, projects which will combine attractive city centre locations within Prague, quality construction and architectural design are expected to be realised in the future.

In the segment of long-term rental housing, which is a traditional part of the portfolio, CPI Group is planning to invest financial resources and focus on three main areas: property revitalization and reduction of energy consumption; improvement of the quality of services to existing tenants and support of new leases.

In addition, CPI Group plans to continuously expand the growth of the retail portfolio. Currently the Group has two new retail parks in Čáslav and Jeseníky under development.

CPI Group long-term goal is to maintain existing tenants and extend leases for shopping centres, stores in retail parks and separate units, and offices. The Group will also improve the tenant mix in shopping centres and assure their adaptation to local demands. With regard to the personnel and professional strength of the Group´s team, letting and property managers will fulfil this task and will continue to work on deepening cooperation with tenants.

The economic situation in Europe will depend on the state of affairs in the EU. CPI Group expects that the market will show a slight increase, in the case of office rental stagnation, and generally greater demand for higher quality of rental services. The priority of CPI Group remains focused on maintaining the property portfolio diversification into the different segments, as well as their geographical diversification, and ensuring internal stability of the Group via a strong financial base. These factors have previously been shown to have a counterbalancing effect in the event of market fluctuations.

OTHER

Corporate Social Responsibility

Philanthropy is an integral part of the corporate culture, and is characterized by CPI Group as a long-term supporter of education, culture, sports, and community life in the form of corporate donations. Using of own capabilities and resources for the benefit of others is one of the main topics of CPI Group´s charitable activities. Since its beginning, CPI Group has provided financial and non-financial support to many charities and non-profit organizations throughout the Czech Republic. Its support is directed mainly at the social and health sector focused on child care.

CPI Group shows its inclination for the non-profit sector at two levels. The first level is direct financial support to specific entities such as hospitals, specialized health care and social institutions, civic associations and foundations. The second level represents a support in the form of technical assistance, marketing services or provision of space for activities of non-profit organizations.

CPI Group cooperates with a number of entities whose primary focus is to help sick, handicapped or socially disadvantages children and adults such as e.g. Kapka naděje Foundation Fund, Na Františku Hospital, POD FLAGOM DOBRA Foundation, J&T Foundation and the civic association Veselý vozíček. The Group also supports UNICEF international projects and activities of the SIMP Civic Association, which focused on the integration of mentally disabled and otherwise socially excluded people.

Commercial Partnership

CPI Group directs its commercial partnerships in particular to promote sports and cultural events on the places of its business being. The Group also supported professional associations and subjects to enhance the business interests. One of the new partnership is the agreement with the Association for Foreign Investment ("AFI") as a non-governmental non-profit organization focused on support for foreign direct investment, development of the Czech business environment, export of investments and investment services, and cooperation between companies and the research sphere. The AFI closely cooperates with the national investment and business development agency CzechInvest, the Ministry of Industry and Trade and various other public and private institutions. CPI Group became the official partner of the celebratory event Investor of the Year 2012 and Business Property of the Year 2012, the competition is held under the auspices of President Milos Zeman and Minister of Industry and Trade Jiri Cienciala.

Research and Development

Considering the core business activities of CPI Group, the Group does not engage in research and development of new products or procedures.

Environment and Human Resources

The activities of CPI Group do not endanger the environment. As part of HR management, CPI Group strives to improve the organization of work and increase the qualifications of its employees through various training programs (e.g. intensive language training and technical courses).

CPI Group had 464 employees as of 31 December 2013. Apartments and non-residential operations in the Czech Republic and Slovakia are managed by employees of CPI - Facility, a.s., CPI Property, s.r.o. and CPI BYTY, a.s. Operations in Hungary, Poland and Romania are managed by employees of ABLON Kft., Szolgáltatóház Kft. and ABLON Bucharest Real Estates Development S.R.L. Marriott Courtyard Hotel operations are managed by employees of Duna Office Center Kft. Other activities of the Group are managed by employees of CPI Services, a.s. Management of each of CPI Group departments as well as strategic management is performed by employees of CPI Management, s.r.o.

The following table provided an overview of structure of employees within CPI Group as of 31 December 2013. The data do not include employees on maternity leave and employees under temporary work contracts.

Company	Number of Employees
Czech Property Investments, a.s.	0
CPI Management, s.r.o.	8
CPI BYTY, a.s.	75
CPI Services, a.s.	138
CPI Property, s.r.o.	32
CPI - Facility, a.s.	100
CPI Facility Slovakia, a.s.	3
ABLON Kft.	37
Szolgáltatóház Kft.	25
Duna Office Center Kft.	43
ABLON Bucharest Real Estates Development S.R.L	3
Total	**464**

With respect to employment relationships, CPI Group adheres to all applicable legislation.

Branches abroad

CPI Group has no branches abroad.

Fees Charged by Auditors

In 2013, the following audit fees were charged by auditors (in TCZK, excluding VAT):

Entity	Audit of Financial Statements and Annual Report	Review of Interim Financial Statements	Audit of Extraordinary Financial Statements	Verification of Opening Balance Sheet	Other assurance and advisory
Czech Property Investments, a.s.	1,900	0	0	0	660
Consolidation unit CPI Group	8,706	0	412	127	1,460
Total	**10,606**	**0**	**412**	**127**	**2,120**

CORPORATE GOVERNANCE

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

In connection with new Business Corporation Act No. 90/2012 Coll. (further also "the Business Corporation Act") the Company has not performed any changes it the Articles of Incorporation.

General Meeting of CPI

In accordance with the Articles of Incorporation, the statutory bodies of Czech Property Investments, a.s. (hereinafter also referred to as "CPI" or "the Company") 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 CPI Group. CPI has not established any other 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.

The General Meeting is the supreme body of CPI.

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

- 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;
- 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;
- 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");
- election and removal of members of the Board of Directors;
- election and removal of members of the Supervisory Board with the exception of members of the Supervisory Board elected and removed by employees;
- 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;
- decision on the remuneration awarded to the members of the Board of Directors and the Supervisory Board;
- 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;
- 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;
- decision on a merger, transfer of assets to a single shareholder or a division, or a change in the legal form;
- approval of contracts listed in § 67a of the Commercial Code or suspension of the business;
- approval of actions undertaken on behalf of the Company before its formation under § 64 of the Commercial Code;
- approval of the control agreement and the contract on profit transfer and a silent partnership agreement and their changes;
- 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.

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:

- 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;
- to convene a General Meeting, if required by the interests of CPI;
- to submit its opinions, recommendations and suggestions to the General Meeting and the Board of Directors;
- 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 2013:

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.

Mr. Radan Kamenický is employed as a project manager within the CPI Group and is responsible above all for the management of retail development projects. As at 31 December 2013 he acts as a member of supervisory board or board of directors of the following entities which are significant from the perspective of the Company:
Member of the supervisory board

CPI Park Žďárek, a.s., Wanchai, a.s., Garribba, a.s., Balvinder, a.s., Leterme, a.s., Tolimir, a.s., Bandar, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Svitavy Property Development, a.s., Salaman, a.s., Clitos, a.s., Sistina, a.s., Felisa, a.s., Brinkley, a.s., Lavagna, a.s., Romney, a.s., Margulius, a.s., Ogwell, a.s., Husson, a.s., Duggetti, a.s., Idrama, a.s., Komeya, a.s., Rosenfeld, a.s., Huryana,a.s., Lockhart, a.s., Wang, a.s., Garreta, a.s., Appiana, a.s. Konkola, a.s., Ždírec Property Development, a.s., Mercuda, a.s., Darvall, a.s., Rampino, a.s., Wingera, a.s., Scampia, a.s., Timona, a.s., Muleti, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., Soprem, a.s., Tantala, a.s., Tabcorp, a.s., Barkana, a.s., Feldman, a.s., Farhan, a.s., Sexton, a.s., CPI - Krásné Březno, a.s., Gartmore, a.s., Marissa Kappa, a.s., CPI Shopping MB, a.s., CPI Shopping Teplice, a.s., Marissa East, a.s., Marissa West, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Epsilon, a.s., Marissa Delta, a.s., Olomouc City Center, a.s., Baudry Beta, a.s., Bayton Gama, a.s., Baudry Alfa, a.s., Česká orientační, s.r.o., Marissa Ióta, a.s.

Member of the board of directors:

Žďár Property Development, a.s., Sidoti, a.s., Vedant, a.s., Yosana, a.s., Brandýs Logistic, a.s., Hraničář, a.s., Rivaroli, a.s., CB Property Development, a.s., MULTICREDIT GROUP a.s., Týniště Property development, a.s., GRANDHOTEL ZLATÝ LEV a.s.

Mr. Pavel Semrád holds the position of Director of asset management of CPI Group. As at 31 December 2013 he acts a member of supervisory board of the following entities which are significant from the perspective of the Company:

CPI - Horoměřice, a.s., Czech Property Development, a.s., Rejko, a.s., CPI Park Žďárek, a.s., Wanchai, a.s., Garribba, a.s, Balvinder, a.s., Leterme, a.s., Tolimir, a.s., Bandar, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Svitavy Property Development, a.s., Salaman, a.s., Žďár Property Development, a.s., Clitos, a.s., Sistina, a.s., Felisa, a.s., Brinkley, a.s., Lavagna, a.s., Romney, a.s., Margulius, a.s., Ogwell, a.s, Husson, a.s, Duggetti, a.s, Idrama, a.s., Komeya, a.s., Rosenfeld, a.s., Huryana,a.s., Lockhart, a.s, Wang, a.s., Garreta, a.s., Appiana, a.s., Konkola, a.s., Ždírec Property Development, a.s., Mercuda, a.s., Darvall, a.s., Sidoti, a.s., Rampino, a.s., Vedant, a.s., Wingera, a.s., Scampia, a.s., Timona, a.s, Muleti, a.s, Mendesa, a.s., Vorga, a.s., Zordiac, a.s., Soprem, a.s., Tantala, a.s., Yosana, a.s., Brandýs Logistic, a.s., Pelhřimov Property Development, a.s., CPI Group, a.s., Tabcorp, a.s., Barkana, a.s., Feldman, a.s., Farhan, a.s., Sexton, a.s., Cobham, a.s., Karviná Property Development, a.s., CPI - Krásné Březno, a.s, Gartmore, a.s., Kroměříž Property Development, a.s., Novegro, a.s., Hraničář, a.s., CB Property Development, a.s., Marissa Ypsilon, a.s, Marissa Kappa, a.s., Marissa South, a.s., CPI Shopping MB, a.s., Marissa East, a.s., Marissa West, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Ióta, a.s., Marissa Epsilon, a.s., Marissa Delta, a.s., Olomouc City Center, a.s., Baudry Beta, a.s, BAYTON Gama, a.s., MULTICREDIT GROUP a.s., M.T.J.Consulting, a.s., OC Nová Zdaboř a.s., GRANDHOTEL ZLATÝ LEV a.s. " v likvidaci ", Žižkov Property Development,a.s., MB Property Development, a.s., Baudry Alfa, a.s., 3K Development, a.s., CPI Shopping Teplice, a.s., Vila Šárka, a.s.

Mr. Vladimír Sup acts as a member of supervisory board of the following entities which are significant from the perspective of the Company as at 31 December 2013:

Sidoti, a.s., Vedant, a.s., Yosana, a.s., Brandýs Logistic, a.s., CPI Group, a.s., Novegro, a.s. Marissa West, a.s., MULTICREDIT GROUP a.s., , MMXL, a.s., Žižkov Property Development,a.s., Baudry Alfa, a.s., V+V+V spol. s r.o., K2000, spol. s r.o. v likvidaci.

The work address of the members of the Supervisory Board is Prague 1, Václavské náměstí 1601/47, 110 00.

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:

- to perform management and business management and take care of operational matters of CPI;
- to exercise the employer's rights;
- to convene the General Meeting;
- 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;
- to submit proposals to amend and supplement the Articles of Incorporation to the General Meeting;
- to submit the ordinary, extraordinary, consolidated and interim financial statements to the General Meeting for approval;
- to submit a proposal for profit distribution or loss settlement to the General Meeting;
- to execute resolutions or decisions of the General Meeting;
- to ensure proper keeping of records, accounting books, business books and other company documents;
- to grant and revoke procuration;
- 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 2013:

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.

On 14 February 2014 Mr. Marek Stubley resigned and Ms. Kristína Magdolenová has been appointed new Vice-chairman of the Board of Directors.

Mr. Radovan Vítek has an ownership interest or acts as a member of supervisory board or board of directors of the following entities which are significant from the perspective of the Company as at 31 December 2013:

Ownership interest

Cerrini, s.r.o., Materali, a.s., Mondello, a.s., Papetti, s.r.o., Pietroni, s.r.o., Rivaroli, a.s., Robberg, a.s., Zacari, a.s., Vila Šárka, a.s., ZIBA, o.p.s. - founder

Member of the board of directors

Guerrera, a.s. Vila Šárka, a.s. - chairman, ORCO Property Group

Member of supervisory board

Brandýs Logistic, a.s., U svatého Michala, a.s., CPI BYTY, a.s., MUXUM, a.s,

Mr. Marek Stubley has an ownership interest or acts as a member of supervisory board or board of directors of the following entities which are significant from the perspective of the Company as at 31 December 2013:

Member of the board of directors

Capital Recovery Trust, a.s., YTRIX a.s., MB Property Development, a.s., SILOBIA a.s.

Member of the supervisory board

ANONA a.s., Harvey, a.s., AYDEN a.s., ARMONET a.s., LEONET, a.s., TYRIS a.s., INSOMNIA a.s., AERIAL a.s., AMNESIA a.s. (including ownership interest), SALMIA a.s., SEDUCEA a.s. WIMPARE a.s., Novacento a.s., GIRONNE a.s., MONEA a.s., FORCEA a.s. ANTARA a.s., GROWING FUND a.s., No fear a.s., SMART DEAL a.s., Garret & Morris a.s., SUNGERN a.s., BUSINESS SETUP a.s., Bewitch a.s., EOMERA a.s., WIDE OPTION a.s., AIMING FIELD a.s., SPLENDID STRUCTURE a.s., GOLDPILE, a.s. AFFERMA a.s. PINK THRONE a.s., FRESHDEAL, a.s., WIDGET a.s., Business Rise a.s., NAMIDA a.s., ITERIA a.s., GARPDREAM a.s., IRSI, a.s., R E S I, a.s., PRINCIP SYSTEMS a.s., MC Invest, a.s., CHILLI PEPPER a.s., BRIGHTTOM a.s., INCRESIA a.s., TAMANOA a.s., FOR A START a.s.

Statutory representative

GEIKE s.r.o., STOLMEN s.r.o., FAT FISH s.r.o., REAL WORLD s.r.o., ULTIMATE MOMENT s.r.o., s.r.o., B. A. Investments, s.r.o., MSB Legal, v.o.s. – owner, Beta Gruis, s.r.o., Delta Orionis s.r.o.

Ms. Marie Vítková acts as a member of the Supervisory board or Board of directors of the following entities which are significant from the perspective of the Company as at 31 December 2013:

Member of the board of directors

Vila Šárka, a.s., ZIBA, o.p.s.

Member of the supervisory board

Zámek Bezdružice, a.s. v likvidaci

Management of CPI Group

The management of CPI Group is responsible for managing the organizational units of CPI Group. The organizational structure is based on specializations by business function.

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

Zdeněk Havelka

Chief Executive Officer

Mr. Zdeněk Havelka joined CPI Group in 2002 as a senior accountant. Later, he was appointed the Chief Financial Officer. Since 2005, he is holding the office of the Chief Executive Officer and his direct subordinates are directors of departments of development, asset management, acquisitions, property management, operations and finance. His professional carrier with CPI Group represents a long term affiliation. He attended the milestones most important for the growth of the real estate group that has already expanded beyond the Czech Republic borders long-ago, and has an ambition to become the leader in the Central and Eastern Europe. Mr. Havelka is a graduate of the Faculty of Agriculture, University of South Bohemia in České Budějovice.

Martin Němeček

Deputy CEO

Mr. Martin Němeček has been employed with CPI Group since June 2011, and he is responsible for the real estate acquisitions of the Group. Initially, he headed the legal department and managed the field of external financing. In 2013, he was officially appointed the Deputy CEO. As the Deputy CEO, he is still concerned with acquisition matters, legal aid in the real estate area, communication with banks, and he participates in the management of foreign subsidiaries. Mr. Němeček graduated from the Faculty of Law of the Charles University in Prague and from the University of Economics in Prague.

Igor Klajmon

Director of Development

Mr. Igor Klajmon has been charged with the position of CPI Group's Director of Development since year 2012, and his most significant projects include the QUADRIO, a multifunctional complex in the centre of Prague, and the Palais Maeterlinck, a luxury residential housing project in the French resort of Nice. He has many years of experience in working on large commercial and residential projects in Central Europe, United Kingdom and Brazil. He is a graduate of the Technical University in Brno, then he studied at the Mackenzie University in Sao Paolo (Brazil), and at the London Business School (UK).

Pavel Semrád

Director of Asset Management

Mr. Pavel Semrád strengthened CPI Group in 2002 as a project manager, in 2005, he was appointed the Director of the Development Department, and subsequently he took up his post as the Property Management Director. Nowadays, he leads a team of asset managers responsible for the communication with tenants and for the management of commercial real estate tenancies. Mr. Semrád graduated from the Faculty of Finance and Accounting, University of Economics in Prague.

Martin Stibor

Director of Property Management

Mr. Martin Stibor has been working for CPI Group since 2010, and is responsible for technical, administrative and operating management of all properties of the Group´s portfolio. He has gained valuable experience during his mission in the top management at EMCM. Mr. Martin Stibor graduated from the Technical University in Brno.

Erik Morgenstern

Chief Financial Officer

Mr. Erik Morgenstern had been holding the position of the financial analyst and controlling manager in CPI Group since 2004. Subsequently, he was promoted to the position of Director for the Consolidation and Reporting, and headed the accounting and billing department. In 2012, he was appointed the Chief Financial Officer responsible for the entire accounting and reporting of CPI Group. Mr. Morgenstern graduated from the Faculty of Business Administration, University of Economics in Prague.

Štěpán Rázga

Chief Operating Officer

Mr. Štěpán Rázga joined CPI Group in 2010 as a financial analyst, and later he held a position of a divisional manager. In 2013, he was appointed the Chief Operating Officer. In past, he worked as a financial manager, and subsequently in the controlling of the Czech-Slovak investment group. He graduated from the University of Economics in Prague, Faculty of Business Administration.

Jiří Dedera

Investments Director

Mr. Jiří Dedera worked in CPI Group as Chief Operating Officer, and later he took over the position of an Investment Director. He gained his professional experience, inter alia, in consulting groups Deloitte and Pricewaterhouse-Coopers in the Czech Republic and in the United States. He graduated from the Faculty of Civil Engineering, Technical University in Brno. Mr. Dedera left CPI Group in January 2014.

Robert Schejbal

Director of Internal Audit

Mr. Robert Schejbal joined the Group in September 2011 and he was responsible for management of IT projects and internal audit of the Group including internal processes. Mr. Schejbal left the Group in May 2013.

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

Principles of Remuneration of the Members of the Supervisory Board and the Board of Directors of CPI and Management

Czech Property Investments, a.s. does not apply any fixed principles of remuneration of members of the Supervisory Board, the Board of Directors and Management of 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 Board of Directors decides on the salary of the Chief Executive Officer as a member of CPI Group's Management. The Chief Executive Officer decides on the salaries of other members of Management.

Body	Salaries in 2013 (TCZK)	
	CPI	Other companies of the CPI Group
Board of Directors	0	2,368
Supervisory Board	0	2,310
Management	0	15,561

Members of the Supervisory Board, members of the Board of Directors and members of Management of CPI Group did not have any other monetary or non-monetary income in 2013 besides a salary which they received as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. The salary does not have any variable component.

Members of the Supervisory Board, members of the Board of Directors and members of Management of CPI Group as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. did not receive any additional benefits in 2013 compared to other employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o. and CPI – Facility, a.s.

Members of the Supervisory Board, members of the Board of Directors, except of Mr Radovan Vítek – owner of CPI Group, any other persons with executive powers and any 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

Any members of the Supervisory Board, the Board of Directors or Management of CPI Group are not subject of any conflicts of interest.

Internal Control System and Risk Report

The internal accounting guidelines of CPI Group, which define procedures, responsible persons and dates for individual tasks, form an integral part of the internal control system. The internal policies applied by CPI Group include mainly signing and accountability rules, the circulation of accounting records, a chart of accounts, an internal guideline on tangible and intangible fixed assets, inventory policies, rules for recognizing expenses and revenues, stocktaking guidelines, rules for recognizing adjustments and the establishment and release of provisions, rules for the preparation of financial statements, and other internal guidelines.

Continuous controls are carried out within CPI Group, focusing on links between accounts relating to fixed assets, inventories, short-term investments and settlements. The control process is regularly reviewed and if any deficiencies are identified, immediate steps are taken to correct them and prevent them in the future. Quarterly financial statements are presented to the Management of CPI Group.

The internal control system of CPI Group consists of both internal regulations containing control mechanisms and active work of the Supervisory Board, as well as an external audit, which is conducted twice a year (an interim review and an audit for the current reporting period). Results of external audits are presented to the Board of Directors and the Supervisory Board of CPI Group, which charges the Management of CPI Group with drawing conclusions and taking follow-up steps.

As of 31 December 2013, CPI Group was exposed to the following risks arising from financial assets and financial liabilities:

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. CPI Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Liquidity risk

Liquidity risk refers to the possibility of CPI Group being unable to meet its cash obligations mainly in relation to the settlement of amounts due to bondholders, bank loans and suppliers. This particularly refers to a risk arising from the Group's loan agreements, according to which the creditor is entitled to require immediate settlement of the loan in the case of a breach of contractual conditions.

CPI Group monitors its risk of shortage of funds using different liquidity planning tools. These tools comprise e.g. the following activities:

- maintaining a sufficient balance of liquid funds;
- flexible utilization of bank loan, overdrafts and facilities;
- projection of future cash flows from operating activities.

Market Risk

Market risk includes the possibility of negative changes in value of assets of CPI Group due to unexpected changes in the underlying market parameters, such as exchange rates or interest rates.

Currency risk

CPI Group is exposed to a currency risk mainly connected with the sale, purchase and financing activities denominated in Euro currencies.

Interest rate risk

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 interest rate risk relates primarily to long-term debt financing of the Group, for which a floating interest rate is contracted in a substantial extent. Long-term debt financing include bank loans, issued bonds and leasing obligations.

As of 31 December 2013, CPI group was exposed to the following risks arising from its business activities:

The risk of competition

CPI Group operates in a real estate market and should be responsive to changing market situation and changing behaviour of competition and customers.

The risk of losing key people

The risk of losing key people is the risk that CPI Group will not able to retain and motivate persons who are crucial for the ability of the Group to create and implement key strategies of CPI Group. Key persons include members of the CPI Group's management.

The risk of information leakage

CPI Group employs persons having access to the business strategic information, such as planned development project, new marketing strategies and overall strategy of the Group. Leakage of such sensitive information may jeopardize the operation of the entire CPI Group and consequently its current market position can be lost which could ultimately lead to a deterioration of the Group's financial results.

The dependence of CPI Group on rental properties

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

The risk of early termination of lease by current or future tenants

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

The risk associated with market rent development

CPI Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments, commercial or industrial properties substantially exceeds the demand for rental of these properties. Any reduction in market rents could have a negative impact on the Group.

A significant part of the Group's business in the Czech Republic is rental housing. Gradual rent liberalization under the Act on unilateral rent increases has had a positive impact on the financial performance of the Group. Deregulation of rent in the Czech Republic finished as of 31 December 2012, and thereafter rent for all apartments should be determined solely based on market conditions. Market rent, as opposed to regulated rent, reflects the relationship of supply and effective demand on the local housing market. CPI Group is exposed to the risk that the market rent may experience a downward trend in the future where the supply of rental apartments substantially exceeds the demand for rental housing (for example, as a result of economic recovery, the income of individuals increases and mortgage loans again become more readily available, which will in turn boost interest in becoming a homeowner). Any reduction in market rents could have a negative impact on CPI Group. Although new market rent has been negotiated with tenants well in advance, the CPI Group could not avoid potential legal proceedings from those tenants who have not agree with the rental increase.

The dependence of CPI Group on the degree of indebtedness of its target tenant groups

To a certain extent, CPI Group is dependent on the solvency of its target tenant groups, yet it is unable to influence tenants' payment behaviour. The total increase in the indebtedness of households may lead to failure to pay the agreed rent, which could negatively affect the cash flow of the Group while increasing the cost of litigation and debt recovery.

Changes in lifestyle and living standards may adversely affect interest in rental housing

Future changes in tenants' preferences, housing trends and higher living standards of the population in a certain location may lead to a significant reduction in interest in rental housing. The increased preference to own housing rather than renting the apartment may ultimately mean a significant loss of rental housing tenants.

The risk associated with low liquidity of real estate

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

The risk of insolvency proceedings

The commencement of insolvency proceedings against a debtor generally entails certain legal effects (in particular, restrictions on the debtor's ability to dispose of their property), which occur regardless of whether or not the insolvency petition is substantiated. Generally, we cannot rule out that, in the event of an unsubstantiated petition for the commencement of insolvency proceedings against the CPI, CPI would be limited, for an indefinite time, in the disposal of its property, which could adversely affect the financial situation of the entire Group.

Risks associated with the property insurance

CPI Group has entered into property insurance of its major assets. However, the Group cannot guarantee that the potential costs connected with natural hazards or other unexpected events will not have a negative impact on its assets and the economic and financial situation, due to loss of cash flow generating assets.

Risks associated with development projects

These risks include risk related to the construction of new projects and risk related to the location of new development projects.

Risk related to the construction of new projects

Construction of the real estate is a quite long process during which CPI Group might misestimate the market demand in the related segment or overestimate future value of developed real estate, which might impact overall profitability of the project.

Risk related to the location of new development projects

As the value of the real estate depends also on its location, improper location of new development project might have an impact on the future ability of the Group to sale or rent finished real estate.

Corporate Governance Code

CPI and CPI Group have not adopted any binding code of corporate governance. CPI complies with all provisions of the Commercial Code concerning the rights of shareholders – particularly to their right to influence CPI in matters such as the election of members of the Board of Directors and changes to the Articles of Association. CPI duly convenes general meetings and ensures equal treatment of all shareholders. In carrying out its statutory duties, CPI regularly reports on its financial situation, performance, ownership and management.

Above and beyond its statutory duties, CPI and CPI Group regularly report on all significant matters affecting their business.

The reason, why CPI Group has not created or adopted any Code is mainly the fact that the shares issued by CPI are not publicly traded, as well as the existing straightforward shareholding structure consisting of a sole shareholder.

Neither CPI, nor other companies within CPI Group have established any committees for audit or a separate unit of internal audit. Monitoring of internal processes of individual departments falls fully within the competences and responsibilities of individual members of CPI Group Management who are primarily responsible for the following:

- reliability and sharing information;
- compliance with generally binding legal regulations and internal regulations;
- protection of property and proper use of resources;
- achievement of set objectives.

Prague, 30 April 2014

Radovan Vítek	Kristína Magdolenová
Chairman of the Board of Directors	Vice-chairman of the Board of Directors
Czech Property Investments, a.s.	Czech Property Investments, a.s.

REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR 2013

Report on Relations 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 2013 to 31 December 2013.

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., Company Identification Number 42716161, with its registered office at Prague 1, Václavské náměstí 1601/47, Postal Code 110 00 (hereinafter also referred to as "the Controlled Entity") and between the Controlled Entity and other entities controlled by Mr. Radovan Vítek was processed for the fiscal period from 1 January 2013 to 31 December 2013 (hereinafter referred to as the „Fiscal Period").

As of 31 December 2013, Mr. Radovan Vítek was the sole shareholder of the Controlled Entity. Mr. Radovan Vítek was therefore the Controlling Person of the Controlled Entity as of 31 December 2013. The Controlled Entity's Board of Directors, acting with due diligence, is not aware of any other entities controlled by Mr. Radovan Vítek, which have transaction with the Company, than those stated in this report.

Companies controlled by Radovan Vítek – Czech Republic	Ownership interest %
Cerrini, s.r.o.	100.00
Materali, a.s.	100.00
Mondello, a.s.	100.00
Papetti, s.r.o.	100.00
Pietroni, s.r.o.	100.00
Rivaroli, a.s.	100.00
Robberg, a.s.	100.00
Vila Šárka, a.s.	100.00
Zacari, a.s.	100.00

Concluded Contracts

In the Fiscal period, the following contracts were entered into between the Controlled Entity and the Controlling Person and between the Controlled Entity and entities controlled by the Controlling Person:

Contracting party	Contract
Radovan Vítek	Agreement on owners contribution to equity from 3 May 2013
Radovan Vítek	Agreement on owners contribution to equity from 27 June 2013
Radovan Vítek	Agreement on owners contribution to equity from 13 September 2013
Radovan Vítek	Agreement on owners contribution to equity from 31 December 2013
Radovan Vítek	Agreement on owners contribution to equity from 31 December 2013
Radovan Vítek	Agreement on owners contribution to equity from 31 December 2013
Radovan Vítek	Agreement on owners contribution to equity from 31 December 2013

Other Legal Acts

In the Fiscal Period, no other legal acts were executed between the Controlled Entity and the Controlling Person and between the Controlled Entity and entities controlled by the Controlling Person.

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

During the Fiscal Period, no measures were adopted or implemented in the interest or at the instigation of the Controlling Person or entities controlled by the Controlling Person.

During the Fiscal Period, no supplies were provided and no considerations were received in the interest or at the instigation of the Controlling Person or entities controlled by the Controlling Person.

The value of transactions between related parties is set out in the notes to the financial statements of the Controlled Entity for 2013.

The Board of Directors of the Controlled Entity confirms that the Controlled Entity 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 2014

Radovan Vítek

Chairman of the Board of Directors
Czech Property Investments, a.s.

Kristína Magdolenová

Vice-chairman of the Board of Directors
Czech Property Investments, a.s.

FINANCIAL STATEMENTS

Czech Property Investments, a.s.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

CPI Group

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Investment property	6.1	67 614 298	47 671 820
Investment property under development	6.2	2 349 189	1 519 429
Property, plant and equipment	6.3	661 749	108 689
Intangible assets and goodwill	6.4	68 995	18 293
Other investments	6.5	49 477	11 768
Loans provided	6.6	3 878 270	5 505 199
Trade and other receivables	6.8	19 495	629 398
Deferred tax asset	5.12	67 400	358 489
Total non-current assets		**74 708 873**	**55 823 085**
Current assets			
Trading property - inventories	6.7	2 616 935	1 806 028
Current income tax assets		23 409	85 346
Trade and other receivables	6.8	3 704 479	2 134 323
Other investments	6.5	209	--
Loans provided	6.6	1 547 581	1 141 875
Cash and cash equivalents	6.9	3 005 919	3 777 504
Total current assets		**10 898 532**	**8 945 076**
TOTAL ASSETS		**85 607 405**	**64 768 161**
Share capital		6 186 997	6 186 997
Share premium		652 364	652 364
Translation reserve		201 660	1 961
Other reserves		4 815 559	2 249 442
Retained earnings		13 817 293	11 841 284
Total equity attributable to owners of the Company	6.10	**25 673 873**	**20 932 048**
Non-controlling interest		78 216	88 664
Total equity		**25 752 089**	**21 020 712**

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2013	31 December 2012
Non-current liabilities			
Interest-bearing loans and borrowings	6.11	27 799 121	19 753 369
Bonds issued	6.12	17 252 523	9 439 705
Liabilities from derivatives	6.13	156 263	284 441
Trade and other payables	6.15	365 776	1 239 529
Deferred tax liabilities	5.12	6 195 255	4 823 131
Total non-current liabilities		**51 768 938**	**35 540 175**
Current liabilities			
Bank overdraft	6.14	410 094	386 790
Interest-bearing loans and borrowings	6.11	4 690 884	5 456 067
Bonds issued	6.12	578 609	267 047
Liabilities from derivatives	6.13	34 381	48 582
Trade and other payables	6.15	2 353 680	2 043 677
Provisions	6.16	18 730	5 111
Total current liabilities		**8 086 378**	**8 207 274**
TOTAL EQUITY AND LIABILITIES		**85 607 405**	**64 768 161**

Notes to consolidated financial statements on pages 10 to 119 are integral part of these financial statements.

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
	Note	**31 December 2013**	**31 December 2012**
Gross rental revenue	5.1	3 427 645	2 896 215
Service revenue	5.1	110 986	87 327
Net result from hotel operations	5.1	3 114	--
Net service charge income	5.2	47 252	12 632
Property operating expenses	5.3	-672 351	-662 708
Net rental and service related income		**2 916 646**	**2 333 466**
Net valuation gain on investment property	5.4	99 710	899 661
Loss on the disposal of investment property	5.5	-50 700	-28 824
Gain on the disposal of trading property	5.6	4 797	2
Gain/ (Loss) on the disposal of plant and equipment		620	-34
Administrative expenses	5.7	-407 786	-374 260
Other income	5.8	236 871	141 318
Other expenses	5.9	-62 781	-221 111
Results from operating activities		**2 737 377**	**2 750 218**
Finance income	5.10	1 471 214	942 428
Finance costs	5.11	-1 930 480	-1 722 975
Net finance costs		**-459 266**	**-780 547**
Profit before income tax		**2 278 111**	**1 969 671**
Income tax expense	5.12	-269 179	-526 310
Profit from continuing operations		**2 008 932**	**1 443 361**
Profit for the period		**2 008 932**	**1 443 361**
Other comprehensive expense			
Items that will never be reclassified to profit or loss		--	--
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations	6.10	199 806	-12 075
Effective portion of changes in fair value of cash flow hedges	6.10	-425 452	839
Income tax on other comprehensive expense	6.10	79 649	4 338
Other comprehensive expense for the period, net of tax		**-145 997**	**-6 898**
Total comprehensive income for the period		**1 862 935**	**1 436 463**

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	For the year ended 31 December 2013	31 December 2012
Profit attributable to:			
Owners of the Company		2 009 475	1 441 666
Non-controlling interest		-543	1 695
Profit for the period		2 008 932	1 443 361
Total comprehensive income attributable to:			
Owners of the Company		1 863 371	1 434 768
Non-controlling interest		-436	1 695
Total comprehensive income for the period		1 862 935	1 436 463
Earnings per share	6.10		
Basic earnings per share (CZK)		259,83	251,16
Diluted earnings per share (CZK)		259,83	251,16

Notes to consolidated financial statements on pages 10 to 119 are integral part of these financial statements.

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2013	31 December 2012
Operating activities:			
Profit before income tax		**2 278 111**	**1 969 671**
Adjusted by:			
Net valuation gain on investment property	5.4	-99 710	-899 661
Loss on the disposal of investment property	5.5	50 700	28 824
Depreciation / amortisation of tangible and intangible assets	5.3	40 390	14 698
Impairment of assets / Reversal of impairment of assets	5.9	1 447	182 193
(Gain) / Loss on the disposal of property, plant and equipment		-620	34
Net finance costs	5.10 & 5.11	459 266	780 547
Gain on bargain purchase	3.5	-150 204	-58 159
Exchange rate differences		-893 894	72 774
Profit before changes in working capital and provisions		**1 685 486**	**2 090 921**
Changes in trade and other receivables		263 280	-1 017 885
Changes in trading property - inventory		-688 741	-4 030
Changes in trade and other payables		712 709	2 867 952
Changes in provisions		-1 503	-37 743
Income tax paid		91 359	-292 531
Net cash flows from operating activities:		**2 062 590**	**3 606 684**
Investing activities:			
Acquisition of subsidiaries, net of cash acquired	3.5	-1 469 498	-741 299
Acquisition of non-controlling interest		-1 525	86 536
Acquisition of investment property		--	-1 110 568
Capital expenditure on own investment property	6.1	-354 522	-269 010
Expenditure on investment property under development	6.2	-390 273	-978 559
Acquisition of property, plant and equipment	6.3	-14 836	-61 337
Acquisition of intangible assets	6.4	-12 034	-13 014
Acquisition of other investments	6.5	-37 709	-2
Proceeds from sale on investment property	5.5	180 494	275 214
Proceeds from sale of property, plant and equipment		902	2 017
Other loans (provided) / repaid		849 038	-34 632
Interest received		374 941	420 521
Net cash flows used in investing activities		**-875 022**	**-2 424 133**

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		For the year ended	
	Note	31 December 2013	31 December 2012
Financing activities:			
Proceeds from bonds issued	6.12	6 687 008	5 006 489
Other capital contributions		--	789 938
Repayments of loans and borrowings		-6 958 107	-3 053 324
Drawings / (repayments) of finance lease liabilities		-54 712	65 029
Interest paid		-1 658 214	-1 626 998
Net cash flows from/(used in) financing activities		**-1 984 025**	**1 181 134**
Net increase/(decrease) in cash and cash equivalents		**-796 457**	**2 363 684**
Cash and cash equivalents at beginning of the year		**3 777 504**	**1 413 820**
Effect of movements in exchange rates on cash held		**24 872**	**--**
Cash and cash equivalents at the end of the year		**3 005 919**	**3 777 504**

Notes to consolidated financial statements on pages 10 to 119 are integral part of these financial statements.

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2013

	Share capital	Share premium	Translation reserve	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 2013	**6 186 997**	**652 364**	**1 961**	**102 967**	**-181 681**	**2 328 156**	**11 841 284**	**20 932 048**	**88 664**	**21 020 712**
Comprehensive income for the period										
Profit for the period	--	--	--	--	--	--	**2 009 475**	**2 009 475**	**-543**	**2 008 932**
Foreign currency translation differences - foreign operations	--	--	199 699	--	--	--	--	199 699	107	199 806
Effective portion of changes in fair value of cash flow hedges,	--	--	--	--	--	--	--	--	--	--
Net changes in fair value of cash flow FX hedges	--	--	--	--	-480 488	--	--	-480 488	--	-480 488
Related income tax on other comprehensive expense	--	--	--	--	91 292	--	--	91 292	--	91 292
Net changes in fair value of cash flow IRS hedges	--	--	--	--	55 036	--	--	55 036	--	55 036
Related income tax on other comprehensive expense	--	--	--	--	-11 643	--	--	-11 643	--	-11 643
Total other comprehensive income / (expense)	--	--	**199 699**	--	**-345 803**	--	--	**-146 104**	**107**	**-145 997**
Total comprehensive income for the period	--	--	**199 699**	--	**-345 803**	--	**2 009 475**	**1 863 371**	**-436**	**1 862 935**
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of ordinary shares	--	--	--	--	--	--	--	--	--	--
Owner's contribution	--	--	--	--	--	2 867 949	--	2 867 949	--	2 867 949
Total contributions by and distributions to owners of the Company	--	--	--	--	--	**2 867 949**	--	**2 867 949**	--	**2 867 949**
Changes in ownership interests in subsidiaries	--	--	--	--	--	--	--	--	--	--
Acquisition of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	-7 435	-7 435
Other changes in non-controlling interests	--	--	--	--	--	--	10 505	10 505	-2 577	7 928
Total changes in ownership interests in subsidiaries	--	--	--	--	--	--	10 505	10 505	-10 012	493
Total transactions with owners of the Company	--	--	--	--	--	**2 867 949**	**10 505**	**2 878 454**	**-10 012**	**2 868 442**
Other movements										
Transfers to Legal reserve fund	--	--	--	43 971	--	--	-43 971	--	--	--
Total other movements	--	--	--	**43 971**	--	--	**-43 971**	--	--	--
Balance at 31 December 2013	**6 186 997**	**652 364**	**201 660**	**146 938**	**-527 484**	**5 196 105**	**13 817 293**	**25 673 873**	**78 216**	**25 752 089**

Consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

2012

	Share capital	Share premium	Translation reserve	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 2012	**4 428 140**	**199 222**	**14 036**	**94 646**	**-186 858**	**1 041 114**	**10 407 939**	**15 998 239**	**433**	**15 998 672**
Comprehensive income for the period										
Profit for the period	**--**	**--**	**--**	**--**	**--**	**--**	**1 441 666**	**1 441 666**	**1 695**	**1 443 361**
Foreign currency translation differences - foreign operations	--	--	-12 075	--	--	--	--	-12 075	--	-12 075
Effective portion of changes in fair value of cash flow hedges,	--	--	--	--	839	--	--	839	--	839
Income tax on other comprehensive expense	--	--	--	--	4 338	--	--	4 338	--	4 338
Total other comprehensive income / (expense)	**--**	**--**	**-12 075**	**--**	**5 177**	**--**	**--**	**- 6 898**	**--**	**- 6 898**
Total comprehensive income for the period	**--**	**--**	**-12 075**	**--**	**5 177**	**--**	**1 441 666**	**1 434 768**	**1 695**	**1 436 463**
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of ordinary shares	1 758 857	453 142	--	--	--	--	--	2 211 999	--	2 211 999
Owner's contribution	--	--	--	--	--	1 287 042	--	1 287 042	--	1 287 042
Total contributions by and distributions to owners of the Company	**1 758 857**	**453 142**	**--**	**--**	**--**	**1 287 042**	**--**	**3 499 041**	**--**	**3 499 041**
Changes in ownership interests in subsidiaries										
Acquisition of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	86 536	86 536
Total changes in ownership interests in subsidiaries	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	86 536	86 536
Total transactions with owners of the Company	**1 758 857**	**453 142**	**--**	**--**	**--**	**1 287 042**	**--**	**3 499 041**	**86 536**	**3 585 577**
Other movements										
Transfers to Legal reserve fund	--	--	--	8 321	--	--	- 8321	--	--	--
Total other movements	**--**	**--**	**--**	**8 321**	**--**	**--**	**-8 321**	**--**	**--**	**--**
Balance at 31 December 2012	**6 186 997**	**652 364**	**1 961**	**102 967**	**-181 681**	**2 328 156**	**11 841 284**	**20 932 048**	**88 664**	**21 020 712**

Notes to consolidated financial statements on pages 10 to 119 are integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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 registration number of the Company is 427 16 161.

The address of its registered office is Václavské náměstí, 1601/47, Praha 1, 110 00.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 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 sole shareholder of the Company is Mr. Radovan Vítek, Minská 41, Brno, 616 00.

Management

as at 31 December 2013

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 25 March 2011

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

as at 31 December 2012

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

Due to changes in the Company´s management from 1 January 2014 till the date of the Board of Directors meeting, these financial statements has been authorized by newly appointed members of Board of Directors. For the subsequent events refer to note 11.

Employees

The Group employed 464 employees at 31 December 2013 (at 31 December 2012 – 311 employees).

The significant employee's growth reflects the Group's expansion and extension of its investment property portfolio.

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

2 Basis of preparation and 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 authorized for issue by the Board of Directors on 30 April 2014.

(b) New standards

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).
The nature and the impact of each new standard/amendment are described below:

- IAS 1, Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or results of operations.

- IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. The application of IFRS 13 has not materially impacted the fair value measurements of the Group. IFRS 13 also requires specific disclosures of fair values. The Group provides these disclosures in note 6.1.3 and 6.2.3.

New standards and interpretations not yet adopted

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

The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

- IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)
  IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted.

- IFRS 10 Consolidated Financial Statements – IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

- IFRS 11 Joint Arrangements – IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- IFRS 12 Disclosures of interests in other entities – IFRS 12 includes the disclosure requirements for all forms of interests in other entities.

- IAS 36 Impairment of Assets – The amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

(c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position, which are measured as indicate below at each reporting date:

- 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 assumed in a business combinations is measured at fair value.

(d) 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.

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the European Union 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 financial statements is included in the following notes:

- Note 2.2(c) – Classification of investment property
- Note 2.2(e) – Lease classification
- Note 2.2.(m) – Commission revenue: determination of whether the Group acts as an agent in the transaction rather than as the principal
- Note 2.2(a) – Contingent consideration

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2.3 – Valuation of investment property and investment property under development
- Note 5.12 – Recognition of deferred tax assets - future utilization of carry forward tax losses
- Note 7 – Financial risk management
- Note 2.2(j) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs

2.2 Significant accounting policies

Except for the changes described above in note 2.1 (b) New standards, 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

(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.

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 acquiree; 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 at the date of the business combination is recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the period presented. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

(iii) Subsidiaries

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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint 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.
Interests in associates and joint venture 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 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 is obtained until the date that significant influence 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) 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 are the currency of the primary economic environment in which the entity operates and majority of its transactions are carried in this currency.

Summary of countries and functional currencies:

Country	**Functional currency**
Czech Republic	CZK
Slovak Republic	EUR
France	EUR
British Virgin Islands	EUR
Poland	PLN/EUR
Hungary	HUF/EUR
Romania	RON
Netherlands	CZK
Ireland	CZK
Cyprus	CZK

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

(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.

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 the spot exchange rate at the date of the transaction,

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 2013	27.425	25.974
31 December 2012	25.140	25.143
1 January 2012	25.800	N/A

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Date	Closing exchange rate CZK/PLN	Average exchange rate CZK/PLN for the 12-month period
31 December 2013	6.603	6.189
31 December 2012	6.172	6.010
1 January 2012	5.700	N/A

Date	Closing exchange rate CZK/100 HUF	Average exchange rate CZK/100 HUF for the 12-month period
31 December 2013	9.231	8.749
31 December 2012	8.598	8.697
1 January 2012	8.115	N/A

Date	Closing exchange rate CZK/RON	Average exchange rate CZK/RON for the 12-month period
31 December 2013	6.135	5.878
31 December 2012	5.658	5.641
1 January 2012	5.905	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 2013 and 2012 respectively.

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).

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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 until construction or development is completed. Any gain or loss arising on the measurement is recognised in profit or loss.
The Group capitalise external borrowing costs on qualifying investment properties under development.

(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)).

Leases other than finance leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's consolidated 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 consolidated 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, 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.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

(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	**2013**	**2012**
Property	30 – 50 years	30 – 50 years
Equipment	5 - 10 years	10 years
Motor vehicles	5 years	5 years
Fittings	3 - 5 years	5 years
Computers	3 years	3 years

Depreciation methods, useful lives and residual values 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	**2013**	**2012**
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Trading property - inventories

Trading property - inventories 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 - inventories. The cost of self-constructed trading property - inventories includes the cost of material and direct labour, any other costs directly attributable to bringing the trading property - inventories to a condition for their intended use and capitalised borrowing costs. Deemed costs of trading property – inventories reclassified from existing investment property is 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, loans provided, 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 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 consolidated 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.

Loans provided

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).
The Group classifies as current any part of long-term loans that is due within one year from the reporting date.

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 cash 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.
The Company treats cash deposited as a security in accordance with bank loan covenants as cash and cash equivalents for cash flow purposes.

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.

(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 contractual cash flows of the financial liability.

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.

The Group uses bank overdrafts for financing their short term liabilities.

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 it arises.

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 consolidated statement of financial position.

Transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds, net of transaction costs. Bond transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

(iii) Share capital

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.

(iv) Derivative financial instruments, including hedge accounting

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

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

The effective portion of changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised in OCI and accumulated in equity. To the extent that the hedge is ineffective, changes in the fair value of the derivative are recognised in profit or loss.

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

Other non-trading derivatives

When a derivative financial instrument 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 or 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

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)), inventories, 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. For the purpose of impairment testing, assets are grouped together into cash generating units (CGU's) -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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 outside of the consolidated 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 revenue

Rental revenue from investment property is recognised as revenue on a straight-line basis over the term of the operating lease. Lease incentives granted are recognised as an integral part of the total rental revenue, 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 presented net in the consolidated statement of comprehensive income and disclosed separately in the notes to the consolidated financial statements. They are recorded based on issued invoices and accruals.

(iii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(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 and trading property, investment 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, usually on the date on which the application is submitted to the Land Registry for transfer of legal ownership title. The property has to be completed and the apartments are ready for sale, including the necessary regulatory permissions.

(vi) Utilities

In respect of utilities (energy, water, etc.) consumed by tenants the Company acts as an agent to its tenants. The Company performs payments to utilities providers on behalf of tenants, receives advances paid by tenants and issues final settlements to tenants based on actual utilities consumption. Amounts received from tenants and paid to utilities providers are recognised as payables and receivables respectively until final settlement and do not gross up revenues and expenses.

(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 (losses) 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 finance leases, 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 (gains) previously recognised in other comprehensive income.

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 expense 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 the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 relating to transactions with any of the Group's other components
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

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 expenditure 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.

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

(I) has control or joint control over the reporting entity;
(II) has significant influence over the reporting entity; or
(III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

(I) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(II) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(III) Both entities are joint ventures of the same third party.
(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(V) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(VI) The entity is controlled or jointly controlled by a person identified in (a).
(VII) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.3 Determination of fair values

Investment properties and Investment properties under development are stated at fair value as at 31 December 2013 based on external valuations performed by professionally qualified valuers. The Group's property portfolio in Czech and Slovak Republic is valued mainly by DTZ Czech Republic, a.s. Valuations of selected properties in Czech Republic, particularly land (land bank), was performed by RSA TACOMA, a.s. or other external valuation companies. Property portfolio in Hungary and Poland is valued mainly by Jones Lang LaSalle and Colliers International.

The results of independent valuations were further reviewed 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, impact of deferred tax liability on specific valuations, and current market conditions.

Valuation reflects, where appropriate, the type of tenants actually in occupation or responsible for meeting the lease commitments or likely to be in occupation after letting vacant accommodation and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices, and where appropriate counter notices, have been served validly and within the appropriate time.

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to the Group one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2012 and 31 December 2013, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

Investment property

Following methods of investment property valuation were used with respect of its segment classification.
For breakdown of assumption used by valuators refer to note 6.1.3 (investment property) and 6.2.3 (investment property under development).

(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, e.g. repairs and maintenance, property management fee, insurance, expenses standing for doubtful debtors, marketing expenses and other factors like overall condition of the property and applying a discount rate reflecting the current income risk and value for money. After ten years a determining residual value (exit scenario) is calculated.

(ii) Retail, Office, Logistics and industry
Retail, office, logistics and industry 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 (equivalent 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. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation.

(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. This valuation method is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property market. Using this approach a value indication by comparing the subject property to prices of similar properties is produced.

The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison. Percentage adjustments were then applied to the sale prices of the comparables because the prices of these properties are known, while the value of the subject property is not.

(iv) Hotel

Hotel properties have been valued using the direct comparison method of valuation and the price per bedroom was calculated and compared. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

For sensitivity analysis on changes in assumptions of investment property valuation refer to note 6.1.3

Investment property under development / developments

The valuer used the Residual Value Approach for the valuation of the investment property under development. In order to assess the market value of the sites, the valuer undertook a development appraisal to assess the potential value (Gross Development Value) of the fully completed and leased development as currently proposed, and deducted hard costs, soft costs, financing costs and a developer's profit to reflect the required level of return to a developer and the risk of undertaking the scheme.

In assessing the Gross Development Value, the value adopted a market approach by estimating the market rental values for the accommodation being developed, and the appropriate capitalisation rate which a potential investor would require, to arrive at the Market Value of the completed and leased building. The Gross Development Value for the hotel properties under development have been estimated using the direct comparison method.

Notes to the consolidated financial statements for the year ended 31 December 2013 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 and joint-ventures

As at 31 December 2013 the Group is formed by parent company, 216 subsidiaries controlled by the parent company and 1 associate (2012 - 124 subsidiaries, 1 jointly controlled entity).

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
4B Investments, a.s.	Czech Republic	100,00%	100,00%
ABLON Bucharest Real Estates Development S.R.L	Romania	100,00%	--
ABLON Group Limited	Guernsey	100,00%	--
ABLON Kft.	Hungary	100,00%	--
ABLON s.r.o.	Czech Republic	100,00%	--
ABLON sp. z o.o.	Poland	100,00%	--
ACGATE Kft.	Hungary	100,00%	--
Airport City Kft.	Hungary	100,00%	--
Airport City s.r.o.	Czech Republic	100,00%	--
ALAMONDO LIMITED	Cyprus	100,00%	--
Arkáda Prostějov, s.r.o.	Czech Republic	100,00%	--
Avacero Ltd.	Cyprus	100,00%	--
AVIDANO LIMITED	Cyprus	100,00%	--
B.C.P. Kft.	Hungary	100,00%	--
Balvinder, a.s.	Czech Republic	100,00%	100,00%
Baudry Alfa, a.s.	Czech Republic	100,00%	--
Baudry Beta, a.s.	Czech Republic	100,00%	100,00%
Baudry, a.s.	Czech Republic	100,00%	100,00%
BAYTON Alfa, a.s.	Czech Republic	100,00%	--
BAYTON Beta, a.s.	Czech Republic	100,00%	100,00%
BAYTON Delta, a.s.	Czech Republic	100,00%	--
BAYTON Gama, a.s.	Czech Republic	86,54%	86,50%
Beroun Property Alfa, a.s.	Czech Republic	100,00%	100,00%
Beroun Property Development, a.s.	Czech Republic	100,00%	100,00%
Besnet Centrum, a.s.	Czech Republic	100,00%	--
Best Properties South, a.s.	Czech Republic	100,00%	--
BPT Development, a.s.	Czech Republic	100,00%	100,00%
Brandýs Logistic, a.s.	Czech Republic	100,00%	100,00%
BREGOVA LIMITED	Cyprus	100,00%	--
Bright Site Kft.	Hungary	100,00%	--
BRILLIANT VARIETY s.r.o. (1)	Czech Republic	--	100,00%
Březiněves, a.s.	Czech Republic	100,00%	100,00%

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
Budaörs Business Park Kft.	Hungary	100,00%	--
Camuzzi, a.s.	Czech Republic	100,00%	100,00%
Carpenter Invest, a.s.	Czech Republic	100,00%	100,00%
CB Property Development, a.s.	Czech Republic	100,00%	100,00%
CD Property s.r.o.	Czech Republic	100,00%	--
Century City Kft.	Hungary	100,00%	--
Codiazella Ltd.	Cyprus	100,00%	--
Conradian, a.s.	Czech Republic	100,00%	100,00%
CPI - Bor, a.s.	Czech Republic	100,00%	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 Alfa, a.s.	Czech Republic	100,00%	100,00%
CPI BB Centrum, a.s.	Czech Republic	100,00%	--
CPI Beta, a.s.	Czech Republic	100,00%	100,00%
CPI BYTY, a.s.	Czech Republic	100,00%	100,00%
CPI City Center ÚL, a.s.	Czech Republic	100,00%	100,00%
CPI CYPRUS LIMITED	Cyprus	100,00%	--
CPI Delta, a.s.	Czech Republic	100,00%	100,00%
CPI East,s.r.o.	Czech Republic	100,00%	100,00%
CPI Epsilon, a.s.	Czech Republic	100,00%	--
CPI Facility Slovakia, a.s.	Slovak Republic	100,00%	100,00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100,00%	--
CPI FINANCE IRELAND LIMITED	Ireland	100,00%	100,00%
CPI Finance Netherlands B.V.	Netherland	100,00%	100,00%
CPI France, a SASU	France	100,00%	100,00%
CPI Group, a.s.	Czech Republic	100,00%	--
CPI Heli, s.r.o.	Czech Republic	100,00%	100,00%
CPI Hotels Properties, a.s.	Czech Republic	100,00%	100,00%
CPI Jihlava Shopping, a.s.	Czech Republic	100,00%	100,00%
CPI Lambda, a.s.	Czech Republic	100,00%	--
CPI Management, s.r.o.	Czech Republic	100,00%	100,00%
CPI Meteor Centre, s.r.o.	Czech Republic	100,00%	--
CPI Národní, s.r.o. (COPA Centrum Národní, s.r.o.)	Czech Republic	100,00%	50,00%
CPI North, s.r.o.	Czech Republic	100,00%	--
CPI Palmovka Office, 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%	100,00%

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
CPI Reality, a.s.	Czech Republic	100,00%	100,00%
CPI Retail Portfolio III, s.r.o. (Betonstav spol. s r.o.)	Czech Republic	100,00%	100,00%
CPI Retails 4B, s.r.o.	Czech Republic	100,00%	--
CPI Retails EIGHT, s.r.o.	Czech Republic	100,00%	--
CPI Retails FIVE, a.s.	Slovak Republic	100,00%	100,00%
CPI Retails FOUR, a.s.	Slovak Republic	100,00%	100,00%
CPI Retails ONE, a.s.	Czech Republic	100,00%	100,00%
CPI Retails SEVEN, s.r.o.	Czech Republic	100,00%	--
CPI Retails SIX. s.r.o.	Czech Republic	100,00%	--
CPI Retails THREE, a.s.	Slovak Republic	100,00%	100,00%
CPI Retails TWO, a.s.	Czech Republic	100,00%	100,00%
CPI Services, a.s.	Czech Republic	100,00%	100,00%
CPI Shopping MB, a.s.	Czech Republic	100,00%	100,00%
CPI Shopping Teplice, a.s.	Czech Republic	100,00%	100,00%
CPI South, s.r.o.	Czech Republic	100,00%	--
CPI West, s.r.o.	Czech Republic	100,00%	100,00%
CURITIBA a.s.	Czech Republic	100,00%	--
Čadca Property Development, s.r.o.	Slovak Republic	100,00%	100,00%
Český Těšín Property Development, a.s.	Czech Republic	100,00%	100,00%
DERISA LIMITED	Cyprus	100,00%	--
DH Est-Europe Real Estate SRL	Romania	100,00%	--
DORESTO LIMITED	Cyprus	100,00%	--
Družstvo Land	Czech Republic	99,96%	99,96%
Duna Office Center Kft.	Hungary	100,00%	--
EDELWEISS Development s.r.o. (2)	Czech Republic	--	100,00%
ELAMOR, a.s.	Slovak Republic	100,00%	100,00%
EMH North, s.r.o.	Czech Republic	100,00%	--
EMH South, s.r.o.	Czech Republic	100,00%	--
EMH West, s.r.o.	Czech Republic	100,00%	--
ES Bucharest Development S.R.L.	Romania	100,00%	--
ES Bucharest Properties S.R.L.	Romania	100,00%	--
ES Hospitality S.R.L.	Romania	100,00%	--
Farhan, a.s.	Czech Republic	100,00%	100,00%
First Chance Kft.	Hungary	100,00%	--
First Site Kft.	Hungary	100,00%	--
FL Property Development, a.s.	Czech Republic	100,00%	100,00%
Gadwall, Sp. z o.o.	Poland	100,00%	--
GARET INVESTMENT Sp. z. o.o.	Poland	100,00%	--
GLOBAL CENTER Kft.	Hungary	100,00%	--
GLOBAL DEVELOPMENT Kft.	Hungary	100,00%	--
GLOBAL ESTATES Kft.	Hungary	100,00%	--
Global Immo Kft.	Hungary	100,00%	--
GLOBAL INVESTMENT Kft.	Hungary	100,00%	--

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
GLOBAL MANAGEMENT Kft.	Hungary	100,00%	--
GLOBAL PROPERTIES Kft.	Hungary	100,00%	--
GOMENDO LIMITED	Cyprus	100,00%	--
GORANDA LIMITED	Cyprus	100,00%	--
HD Investment s.r.o.	Czech Republic	100,00%	--
Horova Immo s.r.o. (3)	Czech Republic	--	100,00%
Hotel Rosslyn Kft.	Hungary	100,00%	--
Hraničář, a.s.	Czech Republic	100,00%	100,00%
HUNGATE 2013 Kft.	Hungary	100,00%	--
ICL 1 Budapest Kft.	Hungary	100,00%	--
IGY2 CB, a.s.	Czech Republic	100,00%	100,00%
Insite Kft.	Hungary	100,00%	--
ISTAFIA LIMITED	Cyprus	100,00%	--
JONVERO LIMITED	Cyprus	100,00%	--
K.B.P. BUSINESS PARK sp. z.o.o	Poland	50,00%	--
Kerina, a.s.	Czech Republic	100,00%	100,00%
Komárno Property Development, a.s.	Slovak Republic	100,00%	100,00%
LD Praha, a.s.	Czech Republic	100,00%	--
Leriegos Kft.	Hungary	100,00%	--
LERIEGOS LIMITED	Cyprus	100,00%	--
Liongate, a.s.	Czech Republic	100,00%	--
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100,00%	100,00%
LN Est-Europe Development SRL	Romania	100,00%	--
Lockhart, a.s.	Czech Republic	100,00%	100,00%
Luxembourg Plaza, a.s.	Czech Republic	100,00%	--
Malerba, a.s.	Czech Republic	100,00%	100,00%
MAPON, a.s. (4)	Czech Republic	--	100,00%
Marissa Delta, a.s.	Czech Republic	100,00%	100,00%
Marissa East, a.s.	Czech Republic	100,00%	100,00%
Marissa Epsilon, a.s.	Czech Republic	100,00%	100,00%
Marissa Gama, a.s.	Czech Republic	100,00%	100,00%
Marissa Ióta, a.s.	Czech Republic	100,00%	100,00%
Marissa Kappa, a.s.	Czech Republic	100,00%	100,00%
Marissa Lambda, a.s.	Czech Republic	100,00%	100,00%
Marissa North, a.s.	Czech Republic	100,00%	100,00%
Marissa Omega, a.s.	Czech Republic	100,00%	100,00%
Marissa Omikrón, a.s.	Czech Republic	100,00%	100,00%
Marissa Sigma, a.s.	Czech Republic	100,00%	100,00%
Marissa South, a.s.	Czech Republic	100,00%	100,00%
Marissa Tau, a.s.	Czech Republic	100,00%	100,00%
Marissa Théta, a.s.	Czech Republic	100,00%	100,00%
Marissa West, a.s.	Czech Republic	100,00%	100,00%
Marissa Yellow, a.s.	Czech Republic	100,00%	100,00%

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
Marissa Ypsilon, a.s.	Czech Republic	100,00%	100,00%
Marissa, a.s.	Czech Republic	100,00%	100,00%
MB Property Development, a.s.	Czech Republic	100,00%	100,00%
MESARGOSA LIMITED	Cyprus	100,00%	--
MH Bucharest Properties S.R.L	Romania	87,88%	--
Michalovce Property Development, a.s.	Slovak Republic	100,00%	100,00%
Modřanská Property, a.s.	Czech Republic	100,00%	100,00%
MQM Czech, s.r.o.	Czech Republic	100,00%	--
MUXUM, a.s.	Czech Republic	100,00%	100,00%
NERONTA, a.s.	Slovak Republic	100,00%	100,00%
New Field Kft.	Hungary	100,00%	--
New Sites Kft.	Hungary	100,00%	--
Nymburk Property Development, a.s.	Czech Republic	100,00%	100,00%
OC Nová Zdaboř a.s.	Czech Republic	100,00%	100,00%
OC Spektrum, s.r.o.	Czech Republic	100,00%	--
Olomouc City Center, a.s.	Czech Republic	100,00%	100,00%
Olomouc Office, a.s.	Czech Republic	100,00%	100,00%
ORCO APARTMENTS, Sp. z o.o.	Poland	100,00%	--
OSMANIA LIMITED	Cyprus	100,00%	--
Pelhřimov Property Development, a.s. (7)	Czech Republic	0,00%	--
Polygon BC s.r.o.	Czech Republic	100,00%	--
Považská Bystrica Property Development, a.s.	Slovak Republic	100,00%	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%
PRINGIPO LIMITED	Cyprus	100,00%	--
Příbor Property Development, s. r.o.	Czech Republic	100,00%	100,00%
Příkopy Property Development, a.s.	Czech Republic	100,00%	100,00%
Quadrio Residence, s.r.o.	Czech Republic	100,00%	--
RK Building s.r.o. (5)	Czech Republic	--	100,00%
RSL Est-Europe Properties SRL	Romania	100,00%	--
RSL Real Estate Development S.R.L.	Romania	100,00%	--
Ružomberok Property Development, a.s.	Slovak Republic	100,00%	100,00%
SASHKA LIMITED	Cyprus	100,00%	--
SHAHEDA LIMITED	Cyprus	100,00%	--
SHEMAR INVESTMENTS LIMITED (6)	Cyprus	--	100,00%
SPH Properties Sp. z o.o.	Poland	100,00%	--
Statenice Property Development, a.s.	Czech Republic	100,00%	--
Strakonice Property Development, a.s.	Czech Republic	100,00%	100,00%
STRIPMALL Management Kft.	Hungary	100,00%	--
Svitavy Property Alfa, a.s.	Czech Republic	100,00%	100,00%
Svitavy Property Development, a.s.	Czech Republic	100,00%	100,00%
Szolgáltatóház Kft.	Hungary	100,00%	--
T.Land a.s. (2)	Czech Republic	--	100,00%

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2013	31 December 2012
Telč Property Development, a.s.	Czech Republic	100,00%	100,00%
Trebišov Property Development, s. r. o.	Slovak Republic	100,00%	100,00%
Trutnov Property Development, a.s.	Czech Republic	100,00%	100,00%
Třinec Investments, s.r.o.	Czech Republic	100,00%	--
Třinec Property Development, a.s.	Czech Republic	100,00%	100,00%
TUNELIA LIMITED	Cyprus	100,00%	--
Týniště Property Development, s.r.o.	Czech Republic	100,00%	100,00%
U svatého Michala, a.s.	Czech Republic	100,00%	100,00%
VERETIX a.s.	Czech Republic	100,00%	--
Vigano, a.s.	Czech Republic	100,00%	100,00%
VM Property Development, a.s.	Czech Republic	100,00%	100,00%
Volanti Ltd.	Cyprus	100,00%	--
VT Alfa, a.s. (3)	Czech Republic	--	100,00%
VT Holding, a.s.	Czech Republic	100,00%	100,00%
Vyškov Property Development, a.s.	Czech Republic	100,00%	100,00%
WARSAW WEST GATE, SP. z o.o.	Poland	100,00%	--
WWG2013 Sp. z o.o.	Poland	100,00%	--
ZLATICO LIMITED	Cyprus	100,00%	--
Zvolen Property Development, a.s.	Slovak Republic	100,00%	100,00%
Žďár Property Development, a.s.	Czech Republic	100,00%	100,00%
Ždírec Property Development, a.s.	Czech Republic	100,00%	100,00%

(1) BRILLIANT VARIETY s.r.o. has merged with Brandýs Logistic, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of BRILLIANT VARIETY s.r.o. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.
(2) T. LAND, a.s. and EDELWEISS Development s.r.o. have merged with CPI Delta, a.s. (the "successor company") with the effective date of 1 April 2013. All assets and liabilities of T. LAND, a.s. and EDELWEISS Development s.r.o. passed to the successor company. The transaction was legally completed on 12 November 2013 when the merger was recorded in the commercial register.
(3) VT Alfa, a.s. and Horova Immo s.r.o. have merged with VT Holding, a.s. (the "successor company") with the effective date of 1 July 2012. All assets and liabilities of VT Alfa, a.s. and Horova Immo s.r.o. passed to the successor company. The transaction was legally completed on 20 February 2013 when the merger was recorded in the commercial register.
(4) MAPON, a.s. has merged with Trutnov Property Development, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of MAPON, a.s. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.
(5) RK Building s.r.o. has merged with Camuzzi, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of RK Building s.r.o. passed to the successor company. The transaction was legally completed on 29 August 2013 when the merger was recorded in the commercial register.
(6) SHEMAR INVESTMENTS LIMITED has merged with Balvinder, a.s. (the "successor company") with the effective date of 1 January 2012. All assets and liabilities of SHEMAR INVESTMENTS LIMITED passed to the successor company. The transaction was legally completed on 1 February 2013 when the merger was recorded in the commercial register.
(7) As at 31 December 2013 the Group has full control over the entity and therefore has prepared the consolidated financial statements on the basis of this company being a wholly-owned subsidiary (refer to note 3.5)

The Group has renamed following entities from 31 December 2013 till the date of the approval of these consolidated financial statements by the Board of Directors: 4B Investments, a.s. (new name CPI Retail Portfolio I, a.s.), BAYTON Beta, a.s. (CPI Flats, a.s.), CPI Retails 4B, s.r.o. (CPI Retail Portfolio V, s.r.o.), CPI Retails EIGHT, s.r.o. (CPI Retail Portfolio VI, s.r.o.), CPI Retails SEVEN, s.r.o. (CPI Retail Portfolio VII, s.r.o.), CPI Retails SIX. s.r.o. (CPI Retail Portfolio IV, s.r.o.), Liongate, a.s. (Čáslav Property Development, a.s.) and VT Holding, a.s. (CPI Retail Portfolio II, a.s.).

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

3.2 Share in joint ventures

The Group had 50% share in COPA Centrum Národní, s.r.o. as at 31 December 2012. In February 2013 the Group acquired remaining 50% stake of this entity (refer to note 3.5). The Group has no shares in joint venture as at 31 December 2013.
The following amounts were included in the Group's consolidated financial statements as a result of the proportionate consolidation of above stated joint venture.

	2013	2012
Non-current assets	--	810 251
Current assets	--	8 663
Non-current liabilities	--	-445 607
Current liabilities	--	-223 053
Income	--	34 015
Valuation gain	--	158 484
Expenses	--	-56 113
Other comprehensive income	--	--

3.3 Share in associates

In connection with acquisition of ABLON Group (note 3.5) the Group has acquired 50% share in one associate (K.B.P. BUSINESS PARK Sp. z o.o.). Share in this associate (consolidated by equity method) is fully provided for as the associate's equity is negative and the carrying value is TCZK 0 as at 31 December 2013. The associate's result for H2 2013 is TCZK 0.
Total equity of associate represents TCZK –53 556 comprising of assets in total value of TCZK 617 637 and liabilities of TCZK 671 193.
There are no commitments of the Group regarding associate's liabilities as well as the negative equity of the associate.

3.4 Changes in the Group in 2013

During 2013, the Group has acquired or founded the following entities. No entities were disposed of in 2013.

Entity	Change	Share acquired in %	Date of
ACGATE Kft.	founded	100,00%	24 October 2013
Arkáda Prostějov, s.r.o.	acquisition	100,00%	30 September 2013
Baudry Alfa, a.s.	founded	100,00%	30 January 2013
Besnet Centrum, a.s.	acquisition	100,00%	30 September 2013
Budaörs Business Park Kft.	acquisition	100,00%	26 November 2013
Codiazella Ltd	founded	100,00%	30 August 2013
CPI BB Centrum, a.s.	acquisition	100,00%	30 September 2013
CPI CYPRUS LIMITED	acquisition	100,00%	1 January 2013
CPI Epsilon, a.s.	founded	100,00%	18 June 2013
CPI FINANCE (BVI) LIMITED	acquisition	100,00%	21 May 2013
CPI Lambda, a.s.	founded	100,00%	18 June 2013
CPI North, s.r.o.	founded	100,00%	21 June 2013

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Entity	Change	Share acquired in %	Date of
CPI Retails 4B, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails EIGHT, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails SEVEN, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails SIX. s.r.o.	acquisition	100,00%	30 October 2013
CPI South, s.r.o.	founded	100,00%	18 June 2013
CURITIBA, a.s. (1)	acquisition	100,00%	31 December 2013
EMH North, s.r.o.	acquisition	100,00%	16 September 2013
EMH South, s.r.o.	acquisition	100,00%	16 September 2013
EMH West, s.r.o.	acquisition	100,00%	16 September 2013
GADWALL, Sp. z o.o.	acquisition	100,00%	31 October 2013
HUNGATE 2013 Kft.	founded	100,00%	24 October 2013
Liongate, a.s.	acquisition	100,00%	3 September 2013
Luxembourg Plaza, a.s.	acquisition	100,00%	30 September 2013
OC Spektrum, s.r.o.	acquisition	100,00%	30 September 2013
ORCO APARTMENTS, Sp. z o.o.	acquisition	100,00%	31 October 2013
Pelhřimov Property Development, a.s. (note 3.5)	Control acquisition	0,00%	1 September 2013
Quadrio Residence, s.r.o.	founded	100,00%	9 July 2013
SASHKA LIMITED (2)	acquisition	100,00%	30 June 2013
Statenice Property Development, a.s.	acquisition	100,00%	15 May 2013
Třinec Investments, s.r.o.	acquisition	100,00%	1 January 2013
VERETIX a.s. (3)	acquisition	100,00%	31 December 2013
WARSAW WEST GATE, SP. z o.o.	acquisition	100,00%	31 December 2013
WWG2013 Sp. z o.o.	founded	100,00%	5 November 2013
ZLATICO LIMITED	founded	100,00%	16 January 2013

(1) including subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s.

(2) including entities CPI Group, a.s., ABLON Group Limited, ABLON Bucharest Real Estates Development S.R.L, ABLON Kft., ABLON s.r.o., ABLON sp. z o.o., Airport City Kft., Airport City s.r.o., ALAMONDO LIMITED, Avacero Ltd., AVIDANO LIMITED, B.C.P. Kft., BREGOVA LIMITED, Bright Site Kft., CD Property s.r.o., Century City Kft., CPI Meteor Centre, s.r.o., CPI Palmovka Office, s.r.o., DERISA LIMITED, DH Est-Europe Real Estate SRL, DORESTO LIMITED, Duna Office Center Kft., ES Bucharest Development S.R.L., ES Bucharest Properties S.R.L., ES Hospitality S.R.L., First Chance Kft., First Site Kft., GARET Investment Sp. z.o.o., GLOBAL CENTER Kft., GLOBAL DEVELOPMENT Kft., GLOBAL ESTATES Kft., Global Immo Kft., GLOBAL INVESTMENT Kft., GLOBAL MANAGEMENT Kft., GLOBAL PROPERTIES Kft., GOMENDO LIMITED, GORANDA LIMITED, HD Investment s.r.o., Hotel Rosslyn Kft., ICL 1 Budapest Kft., Insite Kft., ISTAFIA LIMITED, JONVERO LIMITED, K.B.P. BUSINESS PARK sp. z. o.o, Leriegos Kft., LERIEGOS LIMITED, LN Est-Europe Development SRL, MESARGOSA LIMITED, MH Bucharest Properties S.R.L, MQM Czech, s.r.o., New Field Kft., New Sites Kft., OSMANIA LIMITED, Polygon BC s.r.o., PRINGIPO LIMITED, RSL Est-Europe Properties SRL, RSL Real Estate Development S.R.L., SHAHEDA LIMITED, STRIPMALL Management Kft., Szolgáltatóház Kft., TUNELIA LIMITED and Volanti Ltd., SPH Properties Sp. z o.o.

(3) including subsidiary Best Properties South, a.s.

3.5 Acquisitions of subsidiaries and stakes in jointly controlled entities in 2013

a) Acquisitions of subsidiaries and stakes in jointly controlled entities

Determination of fair values of net assets acquired
In respect of further described acquisition the valuation of investment property at the acquisition date was performed by an independent professional appraiser with experience of the relevant market. The fair value of cash and cash equivalents was considered to equal the carrying value representing the entities bank deposits; fair value of borrowings and trade and other payables was calculated based on discounted cash flow models if applicable.

ABLON Group

On 30 June 2013, the Group acquired 100% share in SASHKA LIMITED, company domiciled in Cyprus, with its fully owned subsidiary CPI Group, a.s.
CPI Group, a.s. had 99,86 % share in ABLON Group as at the date of acquisition.
ABLON Group is one of the largest real estate developers in Hungary and Central-Eastern Europe, being active in several sectors of the real estate market. The ABLON's core business is the sourcing, acquisition, construction, ownership, leasing, servicing and management of a diverse portfolio of commercial property and the acquisition, construction and sale of residential properties in Hungary, the Czech Republic, Romania and Poland, primarily in Budapest and Prague. In addition to Budapest and Prague, ABLON group is present in Warsaw, Gdansk and Bucharest.
ABLON Group included parent company ABLON Group Limited and its 61 subsidiaries and one associate. For breakdown of acquired entities refer to note 3.4.
The fair value of investment property acquired was TCZK 8 215 349. Total leasable area exceeds 180 000 sqm. Acquired investment property includes land bank of app. 1 049 000 sqm as well.

Rental activities
ABLON Group's projects include office buildings, retail properties, logistic parks and hotels. ABLON's Group rental income from non-residential and residential premises represents TCZK 211 231 for 6 month period since the date of acquisition.

Hotel operations
ABLON Group also operates four star Marriott hotel with 235 rooms in own building in Budapest.

Sale of residential properties
ABLON Group owns completed residential project intended for further sale in Prague.

The objective of the acquisition is to further increase the Group's market share on real estate market in Central and Eastern Europe.
If all acquisitions had occurred on 1 January 2013 with all other variables held constant, Group rental revenue for 2013 would have been TCZK 3 632 358, and profit for 2013 would have been TCZK 2 045 949.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Net assets acquired

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

	ABLON Group
Investment property	8 215 349
Property, plant and equipment	537 308
Intangible assets	--
Bonds	--
Loans provided	417 488
Trading property - inventories	125 744
Deferred tax assets	483
Current income tax receivables	2 320
Trade and other receivables	77 806
Cash and cash equivalents	124 778
Identifiable acquired assets	**9 501 276**
Non-current interest-bearing loans and borrowings	-5 441 531
Other non-current liabilities	-35 533
Deferred tax liability	-653 898
Overdrafts	--
Current interest bearing loans and borrowings	-687 231
Current income tax liabilities	-9 444
Trade and other payables	-146 045
Provisions	--
Identifiable acquired liabilities	**-6 973 682**
Net ident. assets of subsidiary acquired	**2 527 594**
Consideration paid	**2 583 692**
Non-controlling interest	**7 435**
Goodwill / (bargain purchase)	**48 663**
Cash and cash equivalents acquired	**124 778**
Cash inflow	**-124 778**
POST-acquisition profit	**265 985**

Consideration transferred

The preliminary consideration transferred for the ABLON Group was TCZK 2 985 829 as at 30 June 2013. As at 31 December 2013 the initial acquisition price was adjusted by TCZK 402 137 based on certain conditions set in share purchase agreement concluded between the Group and the seller. Payable related to initial purchase price was offset with receivables from the seller. The final acquisition price and final value of net assets acquired reflect audited 2013 annual financial statements of all entities included in ABLON Group. Receivables from the seller of TCZK 402 137 reflects adjusted purchase price and is disclosed within Trade and other receivables as at 31 December 2013. The Group has no doubts regarding its recoverability. There is no other arrangement in respect of additional future purchase price adjustment relating to this acquisition.

Goodwill

The goodwill of TCZK 48 663 is primarily attributable to enhanced returns expected from operating the investment properties under the Group’s brand and the significant synergies expected to arise. Refer to note 6.4.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Non-controlling interest

The Group selected to measure the non-controlling interest in the acquired entities' at the proportionate share of its interest in the acquired identifiable net assets. At the date of acquisition the non-controlling interest represents TCZK -7 435 comprising non-controlling interest of TCZK –12 354 related to minority share in Romania subsidiary with negative equity and non-controlling interest of TCZK 4 919 in respect of 0,14% minority share of entire ABLON Group.

ENDURANCE Companies

From 30 September 2013 to 31 December 2013 the Group gradually acquired from related party 100% share in nine companies, which formerly belonged to Orco Property Group's Endurance Funds.
These companies are domiciled in Czech Republic (five companies), Poland (three companies) and Hungary (one company).
The Czech properties in the transaction include office and retail premises with tenants Exxonmobil, GTS Czech, CEZ etc. In Poland the tenants of the office spaces and retail properties acquired include Comarch, the University of Warsaw and Euromoney, while in Hungary the key tenant represents mainly General Motors.
Total leasable area represents 80 913 sqm of office spaces and 37 380 sqm of retail spaces.
If all acquisitions had occurred on 1 January 2013 with all other variables held constant, Group rental revenue for 2013 would have been TCZK 3 909 062, and profit for 2013 would have been TCZK 2 053 196.

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

	Arkáda Prostějov s.r.o.	**Luxembourg Plaza a.s.**	**OC Spektrum s.r.o.**	**Besnet Centrum, a.s.**	**CPI BB Centrum, a.s.**
Investment property	231 929	1 631 123	348 573	397 532	1 675 627
Loans provided	--	421 204	--	--	--
Deferred tax assets	--	--	11 860	--	--
Trade and other receivables	7 286	60 611	21 697	13 611	15 229
Cash and cash equivalents	17 553	22 565	21 050	1 987	2 041
Identifiable acquired assets	**256 768**	**2 135 503**	**403 180**	**413 130**	**1 692 897**
Non-current interest-bearing loans and borrowings	-161 939	--	-212 902	--	--
Other non-current liabilities	--	--	--	-36 756	--
Deferred tax liability	-26 749	-152 647	-5 736	-42 401	-180 504
Current interest bearing loans and borrowings	-56 888	-1 098 885	-167 061	-250 703	-1 390 673
Current income tax liabilities	-1 740	-6 657	-1 041	-896	--
Trade and other payables	-9 452	-92 396	-16 440	-13 404	-13 633
Identifiable acquired liabilities	**-256 768**	**-1 350 585**	**-403 180**	**-344 160**	**-1 584 810**
Net ident. assets of subsidiary acquired	**--**	**784 918**	**--**	**68 970**	**108 087**
Consideration paid	**--**	**784 918**	**--**	**68 970**	**108 087**
Goodwill / (bargain purchase)	**--**	**--**	**--**	**--**	**--**
Cash and cash equivalents acquired	**17 553**	**22 565**	**21 050**	**1 987**	**2 041**
Cash outflow	**-17 553**	**762 353**	**-21 050**	**66 983**	**106 046**
POST-acquisition profit/ (loss)	**2 853**	**24 241**	**2 761**	**-9 290**	**8 736**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

continued

	GADWALL, Sp. z o.o.	ORCO APARTMENTS, Sp. z o.o.	WARSAW WEST GATE, SP. z o.o.	Budaörs Business Park Kft.	Total
Investment property	499 025	912 646	392 832	232 030	6 321 317
Loans provided	--	70 190	136 616	--	628 010
Trading property - inventories	111	--	--	--	111
Deferred tax assets	203	16 150	11 152	--	39 365
Current income tax receivables	--	--	--	541	541
Trade and other receivables	4 254	20 940	3 935	8 287	155 850
Cash and cash equivalents	34 221	96 160	69 259	19 581	284 417
Identifiable acquired assets	**537 814**	**1 116 086**	**613 794**	**260 439**	**7 429 611**
Non-current interest-bearing loans and borrowings	-398 469	-572 330	--	--	-1 345 640
Other non-current liabilities	--	--	--	-3 969	-40 725
Deferred tax liability	-1 853	-56 724	-78 523	-21 037	-566 174
Current interest bearing loans and borrowings	-125 123	-123 984	-244 417	-85 365	-3 543 099
Current income tax liabilities	--	--	-1 836	--	-12 170
Trade and other payables	-7 991	-25 853	-18 658	-18 884	-216 711
Provisions	-4 378	-2 069	-9 799	--	-16 246
Identifiable acquired liabilities	**-537 814**	**-780 960**	**-353 233**	**-129 255**	**-5 740 765**
Net ident. assets of subsidiary acquired	**--**	**335 126**	**260 561**	**131 184**	**1 688 846**
Consideration paid	**--**	**335 126**	**260 561**	**131 184**	**1 688 846**
Goodwill / (bargain purchase)	**--**	**--**	**--**	**--**	**--**
Cash and cash equivalents acquired	**34 221**	**96 160**	**69 259**	**19 581**	**284 417**
Cash outflow	**-34 221**	**238 966**	**191 302**	**111 603**	**1 404 429**
POST-acquisition profit/ (loss)	**766**	**-5 153**	**--**	**2 089**	**27 003**

CPI Národní, s.r.o.

On 7 February 2013, the Group acquired remaining 50% stake in CPI Národní, s.r.o. (renamed from COPA Centrum Národní, s.r.o. on 18 February 2013) from former non-related co-owner. As a result of the acquisition the Group has increased its ownership interest to 100%.

The acquisition is expected to provide the Group with full control on development of QUADRIO project. QUADRIO (former name COPA centrum) multifunctional complex is being built in the historic part of Prague in the immediate vicinity of the Národní Třída metro station. It will offer more than 28,000 sqm office and retail premises in the center of Prague. Construction began on the new Quadrio complex in the summer of 2012 and its completion is planned for Q3 2014.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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

	CPI Národní, s.r.o.	
	100%	**50%**
Investment property	1 648 830	824 415
Property, plant and equipment	8 314	4 157
Trade and other receivables	3 008	1 504
Cash and cash equivalents	10 582	5 291
Identifiable acquired assets	**1 670 734**	**835 367**
Non-current interest-bearing loans and borrowings	-801 452	-400 726
Other non-current liabilities	-14 362	-7 181
Deferred tax liability	-111 808	-55 904
Current interest bearing loans and borrowings	-408 892	-204 446
Trade and other payables	-33 712	-16 856
Identifiable acquired liabilities	**-1 370 226**	**-685 113**
Net ident. assets of subsidiary acquired	**300 508**	**150 254**

The total consideration transferred for 50% share of CPI Národní, s.r.o. represents TCZK 50. There is no agreement concluded regarding potential contingent consideration between counterparties in respect of the acquisition.
Cash and cash equivalents acquired were TCZK 5 291. Net cash inflow represents TCZK 5 241.

Bargain purchase

The purchase price for remaining stake in CPI Národní, s.r.o. was set based on mutual agreement of both counterparties. As part of the above mentioned transaction all liabilities of CPI Národní, s.r.o. to former co-owner were settled in full as of the date of acquisition and former owner terminated his future participation in the project.
Bargain purchase arising from the acquisition is calculated as follows:

Cash consideration for 50% share	50
Fair value of previously held interest in CPI Národní, s.r.o.	150 254
Total consideration for 100% share	**150 304**
Fair value of identifiable net assets	300 508
Bargain purchase	**-150 204**

As the carrying value of existing interest in CPI Národní, s.r.o. corresponds to its fair value as at acquisition date no gain or loss were recognised from remeasurement to fair value.
Gain on bargain purchase of TCZK 150 204 is recognized within other income (note 5.8).

VERETIX a.s.

On 31 December 2013 the Group acquired 100% share in VERETIX a.s. including its fully owned subsidiary Best Properties South, a.s. This acquisition relates to multi-purpose complex Galerie Fenix at Vysočany opened in mid 2008. The complex comprise of shopping center with total retail leasable area exceeding 14 000 sqm and four star hotel Clarion Congress Hotel Prague offering 560 hotel rooms. If the acquisition had occurred on 1 January 2013 with all other variables held constant, Group rental revenue for 2013 would have been TCZK 3 594 274 and profit for 2013 would have been TCZK 1 976 412.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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

	VERETIX a.s.
Investment property	2 689 893
Property, plant and equipment	4 111
Loans provided	6 089
Trade and other receivables	115 226
Cash and cash equivalents	75 645
Identifiable acquired assets	**2 890 964**
Non-current interest-bearing loans and borrowings	-1 797 317
Other non-current liabilities	-12 644
Deferred tax liability	-154 210
Overdrafts	--
Current interest bearing loans and borrowings	-92 606
Current income tax liabilities	-272
Trade and other payables	--
Provisions	-239 315
Identifiable acquired liabilities	**-2 296 364**
Net ident. assets of subsidiary acquired	**594 600**
Consideration paid	**594 600**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**75 645**
Cash outflow	**518 955**
POST-acquisition profit/ (loss)	**--**

CURITIBA a.s.

On 31 December 2013 the Group acquired 100% share in CURITIBA a.s. including its fully owned subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s. The acquisition primary includes hostel located in Praha-Hloubětín and offering 1 670 beds and three star spa hotel located in Františkovy Lázně. Both properties are rented to hotel operators. The Group has no intention to operate them.

If the acquisition had occurred on 1 January 2013 with all other variables held constant, Group rental revenue for 2013 would have been TCZK 3 477 645, and profit for 2013 would have been TCZK 2 011 976.

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

	CURITIBA a.s.
Investment property	488 970
Property, plant and equipment	1 975
Loans provided	681 186
Current income tax receivables	13 359
Trade and other receivables	21 696
Cash and cash equivalents	12 197
Identifiable acquired assets	**1 219 383**
Non-current interest-bearing loans and borrowings	-625 216
Other non-current liabilities	-113
Deferred tax liability	-76 891
Current interest bearing loans and borrowings	-415 405
Current income tax liabilities	-2 316
Trade and other payables	-14 442
Identifiable acquired liabilities	**-1 134 383**
Net ident. assets of subsidiary acquired	**85 000**
Consideration paid	**85 000**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**12 197**
Cash outflow	**72 803**
POST-acquisition profit/ (loss)	**--**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Leasing Companies (lessors)

On 31 October 2013, the Group acquired 100% of the shares in four companies CPI Retails 4B, s.r.o. (former name Leasing Property s.r.o.), CPI Retails EIGHT, s.r.o. (IMMORENT FINANCEPROJEKT s.r.o), CPI Retails SEVEN, s.r.o. (IMMORENT INVESTMENT XXV. s.r.o.) and CPI Retails SIX. s.r.o. (Imobilia Sen s.r.o.) from IMMORENT Erste Group. These companies own investment properties (retail) mainly in Teplice, Kolín, Zlín and Prague and lease them to the Group.

The purpose of the business combinations is mainly acquisition of legal ownership rights to investment properties which were acquired under finance lease by the Group. As a result of the acquisition the Group plans to refinance related liabilities by issuance of new bonds in 2014. If the acquisition had occurred on 1 January 2013 with all other variables held constant, Group rental revenue for 2013 would remain unchanged, and profit for 2013 would have been TCZK 2 020 778.

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

	CPI Retails 4B, s.r.o.	CPI Retails SIX. s.r.o.	CPI Retails SEVEN, s.r.o.	CPI Retails EIGHT, s.r.o.	Total
Trade and other receivables	108 635	246 748	152 356	57 214	564 953
Cash and cash equivalents	3 293	3 850	3 853	1 728	12 724
Identifiable acquired assets	**111 928**	**250 598**	**156 209**	**58 942**	**577 677**
Other non-current liabilities	-108 948	--	--	--	-108 948
Deferred tax liability	-464	-4 872	-2 838	-1 382	-9 556
Overdrafts	--	--	-134 410	-49 011	-183 421
Current income tax liabilities	-79	-631	--	--	-710
Trade and other payables	-96	-208 934	-1 553	-293	-210 876
Identifiable acquired liabilities	**-109 587**	**-214 437**	**-138 801**	**-50 686**	**-513 511**
Net ident. assets of subsidiary acquired	**2 341**	**36 161**	**17 408**	**8 256**	**64 166**
Consideration paid	**2 370**	**39 980**	**22 713**	**11 652**	**76 715**
Goodwill	**29**	**3 819**	**5 305**	**3 396**	**12 549**
Cash and cash equivalents acquired	**3 293**	**3 850**	**3 853**	**1 728**	**12 724**
Cash outflow	**-923**	**36 130**	**18 860**	**9 924**	**63 991**
POST-acquisition profit/ (loss)	**-380**	**4 045**	**1 267**	**236**	**5 168**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Třinec Investments, s.r.o.

On 1 January 2013, the Group acquired 100% of the shares in Třinec Investments, s.r.o. The acquired entity owns Retail Park in Třinec. Retail Park is fully rented to tenants (CCC Boty, dm drogerie markt and other).

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

	Třinec Investments, s.r.o.
Investment property	77 607
Trade and other receivables	3 432
Cash and cash equivalents	126
Identifiable acquired assets	**81 165**
Other non-current liabilities	-19 721
Deferred tax liability	-45
Current interest bearing loans and borrowings	-106
Trade and other payables	-61 093
Identifiable acquired liabilities	**-80 965**
Net ident. assets of subsidiary acquired	**200**
Consideration paid	**200**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**126**
Cash outflow	**74**
POST-acquisition profit	**1 176**

Statenice Property Development, a.s.

On 15 May 2013, the Group acquired 100% of the shares in Statenice Property Development. The entity owns lands in Statenice with total area of app. 207 000 sqm.

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

	Statenice Property Development, a.s.
Investment property	226 510
Deferred tax assets	43 050
Cash and cash equivalents	12
Identifiable acquired assets	**269 572**
Non-current interest-bearing loans and borrowings	-16 614
Current interest bearing loans and borrowings	-8 052
Trade and other payables	-12 791
Identifiable acquired liabilities	**-37 457**
Net ident. assets of subsidiary acquired	**232 115**
Consideration paid	**232 115**
Goodwill / (bargain purchase)	**--**
Cash and cash equivalents acquired	**12**
Cash outflow	**232 103**
POST-acquisition profit/ (loss)	**-1 576**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Other subsidiaries acquired in 2013

	CPI FINANCE (BVI) LIMITED (1)	CPI CYPRUS LIMITED	Liongate, a.s.	EMH North, s.r.o.	EMH South, s.r.o.	EMH West, s.r.o.	WWG2013 Sp. z o.o. (holding)
Loans provided	--	--	2 192	200	200	200	--
Trade and other receivables	--	2 337	--	--	--	--	--
Cash and cash equivalents	--	--	53	--	--	--	31
Identifiable acquired assets	**--**	**2 337**	**2 245**	**200**	**200**	**200**	**31**
Current income tax liabilities	--	-150	--	--	--	--	--
Trade and other payables	--	-332	-49	--	--	--	--
Identifiable acquired liabilities	**--**	**-482**	**-49**	**--**	**--**	**--**	**--**
Net ident. assets of subsidiary acquired	**--**	**1 855**	**2 196**	**200**	**200**	**200**	**31**
Consideration paid	**--**	**1 855**	**4 500**	**216**	**216**	**216**	**62**
Goodwill	**--**	**--**	**2 304**	**16**	**16**	**16**	**31**
Cash and cash equivalents acquired	**--**	**--**	**53**	**--**	**--**	**--**	**31**
Cash outflow	**--**	**1 855**	**4 447**	**216**	**216**	**216**	**31**
POST-acquisition profit/ (loss)	**--**	**-10 909**	**32**	**-40 279**	**-1 441**	**-2 267**	**-144**

(1) The Company was acquired for EUR 1, total net assets value as at date of acquisition was EUR 1.

b) Acquiring control not through business combinations

Pelhřimov Property Development, a.s.

Although the Group owns no legal voting powers of the entity as at 31 December 2013, management has determined that the Group has full control over the entity as the Board of Directors and Supervisory Board of above mentioned entity are comprised of members of Group's management. Hence Pelhřimov Property Development, a.s. is included in Group's consolidated financial statements.

The fair value of the identifiable assets and liabilities at 31 December 2013 was as follows:

	Pelhřimov Property Development, a.s.
Investment property	80 820
Loans provided	1 028
Trade and other receivables	2 826
Cash and cash equivalents	13 802
Identifiable acquired assets	**98 476**
Non-current interest-bearing loans and borrowings	-84 822
Deferred tax liability	-1 790
Trade and other payables	-9 864
Identifiable acquired liabilities	**-96 476**
Net ident. assets of subsidiary	**2 000**
Consideration to be paid	**2 000**

Expected consideration to be paid for the entity is disclosed within current trade and other payable as at 31 December 2013. Its fair value approximates to carrying amount as at 31 December 2013. Refer to subsequent events, note 11.

c) Acquisition of non-controlling interest

BAYTON Gama, a.s.

In 2013, the Group acquired 0,0092 % interest of the voting shares BAYTON Gama, a.s.
A cash consideration of TCZK 42 was paid to the non-controlling shareholders. Carrying value of the additional interest acquired was TCZK 299. The difference of TCZK 257 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

CPI Park Žďárek, a.s.

In June 2013, the Group increased its share capital by issuance of new shares in CPI Park Žďárek, a.s. New shares subscribed by 3rd party represented 1,513% non-controlling interest. Difference between total purchase price paid by new minority shareholder of TCZK 9 453 and carrying value of interest sold of TCZK 8 379 resulted in positive movement in parent's equity of TCZK 1 074.
Subsequently in July the Group acquired 1,497% non-controlling share for TCZK 150. The difference between total purchase price paid of TCZK 150 and carrying value of interest acquired of TCZK 8 291 resulted in positive movement in parent's equity of TCZK 8 141.

ABLON Group

Acquisition of non-controlling interest of TCZK -7 435 relates to ABLON Group acquisition in June 2013. In August cash consideration of TCZK 1 333 was paid to the non-controlling shareholders for remaining share of 0,14%. Carrying value of the interest acquired was TCZK 2 366. The difference of TCZK 1 033 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The following tables summarize total assets and liabilities acquired in respect of Group's acquisitions in 2013.

	ABLON Group	Endurance companies	Leasing companies	Veretix Group	Other	Total
Investment property&Investment property under development	8 215 349	6 321 317	--	2 689 893	1 698 322	18 924 881
Property, plant and equipment	537 308	--	--	4 111	6 132	547 551
Loans provided	417 488	628 010	--	6 089	685 006	1 736 593
Trading property - inventories	125 744	111	--	--	--	125 855
Deferred tax assets	483	39 365	--	--	43 050	82 898
Current income tax receivables	2 320	541	--	--	13 359	16 220
Trade and other receivables	77 806	155 850	564 953	115 226	31 795	945 630
Cash and cash equivalents	124 778	284 417	12 724	75 645	31 512	529 076
Identifiable acquired assets	**9 501 276**	**7 429 611**	**577 677**	**2 890 964**	**2 509 176**	**22 908 704**
Non-current interest-bearing loans and borrowings	-5 441 531	-1 345 640	--	-1 797 317	-1 127 378	-9 711 866
Other non-current liabilities	-35 533	-40 725	-108 948	-12 644	-27 015	-224 865
Deferred tax liability	-653 898	-566 174	-9 556	-154 210	-134 629	-1 518 467
Overdrafts	--	--	-183 421	--	--	-183 421
Current interest bearing loans and borrowings	-687 231	-3 543 099	--	-92 606	-628 009	-4 950 945
Current income tax liabilities	-9 444	-12 170	-710	-272	-2 466	-25 062
Trade and other payables	-146 045	-216 711	-210 876	-239 315	-115 428	-928 375
Provisions	--	-16 246	--	--	--	-16 246
Identifiable acquired liabilities	**-6 973 682**	**-5 740 765**	**-513 511**	**-2 296 364**	**-2 034 925**	**-17 559 247**
Net ident. assets of subsidiary acquired	2 527 594	1 688 846	64 166	594 600	474 251	5 349 457
Consideration paid	2 583 692	1 688 846	76 715	594 600	326 430	5 270 283
Non-controlling interest	7 435	--	--	--	--	7 435
Goodwill / (bargain purchase)	**48 663**	**--**	**12 549**	**--**	**-147 821**	**-86 609**
Cash and cash equivalents acquired	124 778	284 417	12 724	75 645	31 512	529 076
Cash outflow	**124 778**	**-1 404 429**	**-63 991**	**-518 955**	**-294 918**	**-2 157 515**
POST-acquisition profit/ (loss)	**2 265 985**	**27 003**	**-6 678**	**--**	**15 006**	**301 316**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

3.6 Changes in the Group in 2012

During 2012, the Group has acquired or founded the following entities. No entities were disposed of in 2012.

Entity	Change	Acquired share in %	Date of acquisition/foundation
4B Investments, a.s.	founded	100,00%	6 June 2012
BAYTON Beta, a.s.	acquisition	100,00%	28 June 2012
BAYTON Gama, a.s.	acquisition	86,50%	28 June 2012
CPI Alfa, a.s.	founded	100,00%	21 March 2012
CPI Beta, a.s.	founded	100,00%	21 March 2012
CPI Delta, a.s.	founded	100,00%	21 March 2012
CPI East s.r.o.	founded	100,00%	12 March 2012
CPI France, a SASU	founded	100,00%	30 May 2012
CPI Heli, s.r.o.	founded	100,00%	27 March 2012
CPI West, s.r.o.	founded	100,00%	14 March 2012
Olomouc Office, a.s.	acquisition	100,00%	5 December 2012
T.Land a.s. (1)	acquisition	100,00%	11 December 2012
Týniště Property Development, s.r.o.	founded	100,00%	8 August 2012
VT Holding, a.s. (2)	acquisition	50,00%	29 March 2012

(1) including subsidiary EDELWEISS Development s.r.o.

(2) including subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s.

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 individual entity (subsidiary) 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, tax income or loss and total profit or loss for the period are monitored on entity level.

The individual entities are aggregated into reportable segments with similar economic characteristics for the purposes of consolidated reporting.

As a result of the Group's substantial growth affected by the acquisitions in 2013 the management of the Company decided to modify the split of reportable operating segments as follows:

- The mixture segment (properties with combined utilization) was removed. Related properties are included in appropriate business segment based on detailed analysis reflecting mainly fair value of rental premises and structure of current property's rental revenue.
- The new segment "special assets" was set up. It primarily reflects Group's intentions to operate "World of Glass project" as a non-profit activity.
- The new segment "hotels operations" was set up. It reflects acquisition of ABLON Group which operates Marriott Hotel in its own property in Budapest.

The Group is considered to have ten reportable operating segments as at 31 December 2013, 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
- Hotels – acquires, develops and leases hotels to operators
- Hotel operations – performs hotel activities
- Special assets – providing non-profit activities in Group's owned properties
- 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 intergroup service and financing entities

4.2 Geographical information

The Company is incorporated in the Czech Republic. The Group primarily operates in the Czech Republic and Slovak Republic. In 2013 the Group has extended its rental activities to Hungary, Poland and Romania. It has also subsidiaries in Ireland, Netherlands, France, Cyprus, Guernsey and British Virgin Islands. These subsidiaries are presented within "Other Europe".

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

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Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Operating segments

	Retail		Office		Residential		Industry and logistics		Hotels		Hotel operations	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment income from rental activities	1 509 806	1 322 052	942 517	678 644	484 377	466 910	277 849	235 772	206 795	185 985	--	--
Net rental and service related income	1 483 462	1 289 962	895 474	659 553	28 928	-57 284	271 080	227 510	177 623	164 526	3 114	--
Net valuation gain/(loss) on inv. property	272 476	-204 763	-125 333	-95 131	348 441	737 166	48 524	68 298	-302 196	334 991	--	--
Impairment of assets/ reversal of impairment	-21 079	-11 950	-2 612	1 584	-33 281	-24 879	-2 042	-3 418	-5 140	-113 110	--	--
Results from operating activities	**1 717 602**	**947 969**	**626 699**	**541 950**	**219 600**	**595 148**	**299 934**	**275 265**	**-147 844**	**95 068**	**3 114**	**--**
Interest income	41 231	47 148	27 213	5 094	1 057	591	3 489	4 149	18 528	19 753	99	--
Interest expense	-697 708	-725 994	-421 367	-368 113	-153 684	-135 741	-146 758	-150 147	-100 154	-130 749	-6 571	--
Net finance expenses	**-335 621**	**-607 173**	**-366 633**	**-317 874**	**-165 780**	**-136 807**	**-116 842**	**-130 625**	**4 806**	**32 566**	**-10 818**	**--**
Income tax income/ (expense)	-232 123	-89 115	-22 698	-52 099	-14 261	-119 366	-16 941	-85 298	24 435	-32 413	-1 025	--
Profit/(loss) for the period	**1 149 858**	**251 681**	**237 368**	**171 977**	**39 560**	**338 975**	**166 150**	**59 342**	**-118 603**	**95 221**	**-8 729**	**--**

Operating segments (continued)

	Land bank		Special assets		Other		Development		Eliminations		Total Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment income from rental activities	6 574	3 741	720	584	16 417	14 012	76	892	-17 485	-12 377	3 427 645	2 896 215
Net rental and service related income	2 307	-876	-6 819	-6 513	530 263	496 343	-465	4 239	-468 321	-443 994	2 916 646	2 333 466
Net valuation gain/(loss) on inv. property	-244 385	-156 627	-2 331	11 200	--	230 532	104 514	-26 005	--	--	99 710	899 661
Impairment of assets/ reversal of impairment	-2 441	-21 283	-880	-4 362	-74 255	-4 756	-337	-19	140 620	--	-1 447	-182 193
Results from operating activities	**-247 160**	**-158 372**	**-19 987**	**-15 271**	**-92 815**	**184 607**	**236 960**	**283 854**	**141 274**	**--**	**2 737 377**	**2 750 218**
Interest income	230 468	14 944	3 609	407	2 261 593	1 366 779	4 640	443	-1 883 940	-1 004 251	707 987	455 057
Interest expense	-325 963	-40 825	-43 598	-44 858	-1 631 284	-1 014 128	-178 510	-26 954	1 885 201	1 004 251	- 1 820 397	-1 633 258
Net finance expenses	**-8 322**	**65 929**	**621**	**-12 001**	**679 978**	**353 406**	**-123 771**	**-27 968**	**-16 885**	**--**	**-459 266**	**-780 547**
Income tax income/ (expense)	20 786	21 287	-2 308	-3 519	-44 753	-65 226	19 709	-100 561	--	--	-269 179	-526 310
Profit/(loss) for the period	**-234 696**	**-71 156**	**-21 674**	**-30 791**	**542 410**	**472 787**	**132 898**	**155 325**	**124 389**	**--**	**2 008 932**	**1 443 361**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Operating segments

	Retail		Office		Residential		Industry and logistics		Hotels		Hotel operations	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets	26 007 532	20 507 389	24 223 485	10 554 552	8 477 613	8 710 034	4 096 561	3 308 942	8 290 379	4 442 287	559 822	--
Segment liabilities	20 863 823	16 192 863	19 349 773	9 276 064	5 044 163	5 227 285	3 565 837	3 113 245	6 477 685	2 992 401	632 277	--
Segment net assets	**5 143 709**	**4 314 527**	**4 873 712**	**1 278 489**	**3 433 450**	**3 482 749**	**530 723**	**195 697**	**1 812 694**	**1 449 887**	**-72 455**	**--**
Capital expenditure	**81 926**	**149 464**	**31 928**	**28 105**	**44 954**	**16 573**	**3 400**	**90**	**160 412**	**339 045**	**--**	**--**

Operating segments (continued)

	Land bank		Special assets		Other		Development		Eliminations		Total Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment assets	9 272 228	7 454 351	1 066 039	984 989	72 210 620	49 897 622	5 944 767	4 182 863	-73 981 820	-45 274 869	85 607 405	64 768 161
Segment liabilities	7 590 144	4 723 566	944 062	841 338	60 292 955	42 852 635	5 510 494	3 802 922	-69 783 621	-45 274 869	59 855 316	43 747 449
Segment net assets	**1 682 084**	**2 730 785**	**121 977**	**143 651**	**11 917 665**	**7 044 987**	**434 273**	**379 941**	**-4 198 199**	**--**	**25 752 089**	**21 020 712**
Capital expenditure	**29 271**	**1 303**	**2 631**	**1 774**	**--**	**94 968**	**1 336 336**	**904 418**	**--**	**--**	**1 690 858**	**1 535 740**

Geographical information

	Czech Republic		Slovak Republic		Hungary		Poland	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment income from rental activities	2 829 570	2 506 425	402 647	402 167	191 507	--	21 406	--
Net valuation gain/(loss) on inv. property	79 330	721 236	21 005	-149 149	-625	--	--	--
Total assets netto	93 680 276	77 520 348	5 835 038	5 166 723	9 359 773	--	2 496 417	--

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Geographical information (continued)

	Romania		Other Europe		Eliminations		Total consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
Segment income from rental activities	--	--	--	--	-17 485	-12 377	3 427 645	2 896 215
Net valuation gain/(loss) on inv. property	--	--	--	327 574	--	--	99 710	899 661
Total assets netto	525 887	--	47 691 834	27 355 959	-73 981 820	-45 274 869	85 607 405	64 768 161

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5 Consolidated statement of comprehensive income

5.1 Gross rental and service revenue

	2013	2012
Rental revenue (1)	**3 427 645**	**2 896 215**
Net result from hotel operations (4)	**3 114**	**--**
Advisory and accounting services (2)	69 024	60 894
Facility management (3)	30 524	6 946
Other services	11 438	19 487
Service income	**110 896**	**87 327**
Total gross rental and service revenue	**3 541 745**	**2 983 542**

(1) The significant increase in rental revenue is generally attributable to Group's expansion in 2013 and reflects effect of rental revenue of subsidiaries acquired in 2013 to Group's consolidated statement of comprehensive income.
Rental revenue 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 revenue.

(2) Advisory and accounting services relate to services provided to non-consolidated entities. These services derive directly from rental activities performed by the Group so they are disclosed as a part of gross rental and service revenues.

(3) Increase in facility management provided follows expansion of Group's rental activities.

(4) Net result from hotel operations reflects acquisition of four star Marriott hotel in Budapest operated by ABLON Group. The following table shows key figures for 6 month period (acquisition on 30 June 2013) included in Group's financial statements. Hotel's occupancy represents 66,3% in 2013 (2012 – 64,0%).

Net result from hotel operations

	2013	2012
Hotel revenue	54 493	--
Personnel costs (note 5.3)	-11 303	--
Depreciation (note 5.3)	-13 896	--
Other hotel expenses	-26 180	--
Net result from hotel operations	**3 114**	--

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.2 Net service charge income

	2013	2012
Service charge income	350 380	299 124
Service charge expenses	-324 864	-303 944
Total	25 516	4 820
Revenues from sales of energy	96 127	91 283
Cost of sales - energy	-74 391	-73 831
Total	21 736	17 452
Total net service charge income	**47 252**	**12 632**

Significant increase in volume of service charge income and expenses reflects increase in rental activity. Net profit growth is mainly attributable to increase in profit from sale of energies as the Group has license for the purchase and its further distribution. The second favourable impact on profit represents acquisition of ABLON Group (note 3.5) as the ABLON's entities are entitled to charged service expenses with profit margin to existing tenants. Related profit represents TCZK 7 631 (2012 – TCZK 0).

5.3 Property operating expenses

	2013	2012
Repairs and maintenance (1)	-380 770	-443 177
Personnel expenses	-104 141	-76 975
Utility services	-106 844	-73 261
Real estate tax	-21 306	-25 141
Facility management	-6 027	-13 229
Property insurance expenses	-12 707	-12 093
Letting fee, other fees paid to real estate agents	-7 303	-7 930
Depreciation and amortisation expense	-9 819	-1 494
Other property related expenses	-23 434	-9 408
Total property operating expenses	**-672 351**	**-662 708**

The property operating expenses include mainly repair and maintenance costs of buildings and properties, personnel expenses, utilities costs, facility management and other general overhead expenses related to properties which cannot be charged to current tenants based on existing rental contracts concluded. They also include Group's expenses related to vacant premises.

(1) Repairs and maintenance expenses in 2013 and 2012 are mainly attributable to renovation of current residential portfolio.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Utility services

	2013	2012
Energy consumption	-70 039	-42 722
Material consumption	-13 418	-10 820
Waste management	-8 511	-6 163
Security services	-12 395	-8 329
Cleaning services	-2 481	-5 227
Total utility services	**-106 844**	**-73 261**

Personnel expenses

	2013	2012
Personnel operating expenses		
Wages and salaries	-76 108	-56 622
Social and health security contributions	-24 844	-18 018
Other social expenses	-3 189	-2 335
Total personnel operating expenses	**-104 141**	**-76 975**
Personnel administrative expenses (note 5.7)		
Wages and salaries	-117 866	-137 084
Social and health security contributions	-34 364	-27 143
Other social expenses	-2 534	-2 113
Total personnel administrative expenses	**-154 764**	**-166 340**
Personnel expenses - hotel operations (note 5.1)		
Wages and salaries	-8 690	--
Social and health security contributions	-2 613	--
Other social expenses	--	--
Total personnel expenses - hotel operations	**-11 303**	**--**
Total personnel expenses	**-270 208**	**-243 315**

Depreciation and amortization expenses

	2013	2012
Depreciation and amortization - operating part	-9 819	-1 494
Depreciation and amortization - administrative part (note 5.7)	-16 675	-13 204
Depreciation and amortization - hotel (note 5.1)	-13 896	--
Total depreciation and amortization	**-40 390**	**-14 698**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.4 Net valuation gain on investment property

	2013	2012
Valuation gains		
Residential	348 441	737 166
Hotels	17 264	521 760
Retail	437 076	140 301
Industry and logistics	60 912	68 298
Office	270 129	17 004
Land bank	4 142	289
Other	--	235 403
Special assets	--	11 200
Total valuation gains on investment property	1 137 964	1 731 421
Valuation losses		
Retail	-164 600	-345 064
Land bank	-248 527	-156 916
Hotels	-319 460	-186 769
Office	-395 462	-112 135
Other	--	-4 871
Industry and logistics	-12 388	--
Residential	--	--
Special assets	-2 331	--
Total valuation losses on investment property	-1 142 768	-805 755
Net valuation gain / (loss) on investment property	**-4 804**	**925 666**
Development - valuation gains	108 081	186 027
Development - valuation losses	-3 567	-212 032
Net valuation gain / (loss) on investment property under development	**104 514**	**-26 005**
Net valuation gain	**99 710**	**899 661**

5.5 Net result on disposal of investment property

	2013	2012
Proceeds from disposal of investment property	189 446	275 214
Carrying value of investment property disposed of and related cost	-240 146	-304 038
Total gain / (loss) on the disposal of investment property	**-50 700**	**-28 824**

Disposals of investment property in 2013 and 2012 represent primarily sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of TCZK 214 238 (2012 – TCZK 215 180). The loss suffered from 2013 sale is mainly due to Group's strategy regarding the residential portfolio optimization, above all in Prague – Letňany. Flats with commitment to pay future contribution to Residents Associations were sold in 2013. There is no indication that current loss suffered has adverse impact on fair value of remaining part of entire residential portfolio as these sales related only to specific locations.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.6 Net result on disposal of trading property – inventories

	2013	2012
Proceeds from disposal of trading property	49 105	8
Total carrying value of trading property disposed and related cost	-44 308	-6
Total gain / (loss) on the disposal of trading property	**4 797**	**2**

The disposal of trading property in 2013 represents primarily the sale of completed flats (project Viva Residence) in Prague – Čakovice. The Group acquired this project as a part of ABLON Group acquisition in June 2013 (note 3.5).

5.7 Administrative expenses

	2013	2012
Personnel expenses (1)	-154 764	-166 340
Lease and rental expenses	-50 775	-38 841
Audit, tax and advisory services (2) (3)	-48 160	-34 464
Legal services	-43 876	-32 991
Advertising expenses	-41 432	-15 370
Telecommunication, internet and software related expenses	-7 802	-13 469
Depreciation and amortisation expense	-16 675	-13 204
Material consumption	-8 822	-7 025
Representation expenses	-17 247	-3 941
Accounting and other services - based on mandate contracts	--	-3 793
Repairs and maintenance	-2 492	-2 639
Other insurance expenses	-3 542	-2 192
Energy consumption	-671	-548
Other administrative expenses	-11 528	-39 443
Total administrative expenses	**-407 786**	**-374 260**

Generally the increase in administrative expenses reflects Group's substantial growth affected mainly by acquisition carried out in 2013.

(1) The decrease in personnel expenses is mainly attributable to extraordinary remuneration paid to employees in December 2012. No such remuneration was paid in 2013.

(2) Audit, tax and advisory expenses also include the cost of services provided by the Group's auditor of TCZK 13 265 (2012 – TCZK 12 489), of which:
- Fees related to audit services amount to TCZK 11 145 (2012 – TCZK 6 384).
- Fees for other assurance and advisory services provided by the Group's auditor total TCZK 2 120 (2012 – TCZK 6 105).

(3) Fees paid to investment property valuators represent TCZK 4 910 (2012 – TCZK 4 999).

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.8 Other income

	2013	2012
Gain on bargain purchase relating to business combinations (1)	150 204	58 159
Income from penalties (2)	42 245	21 102
Income from compensation of rental revenues (3)	10 356	14 986
Income from lands acquired based on court decision (4)	8 797	34 505
Insurance claims	5 917	2 649
Other	19 352	9 917
Total other income	**236 871**	**141 318**

(1) Gain on bargain purchase relating to business combinations in 2013 reflects acquisition of remaining stake of 50% in CPI Národní, s.r.o. with total positive effect of TCZK 150 204. For detail of business combinations refer to note 3.5.

(2) Increase in income from penalties is mainly attributable to income from penalties for delayed repayment of loan provided to third party of TCZK 11 555 and penalties paid by tenants for early termination of rental agreements totalling TCZK 14 860. All penalties were paid.

(3) Income from compensation of rental revenues is attributable to agreements between the Group and sellers regarding the acquisition of certain properties in prior years. Former owners are committed to settle expected rental incomes with actual ones.

(4) In 2013 the Group won litigation claims regarding ownership of land in total amount of TCZK 8 797 (2012 – TCZK 34 505).

5.9 Other expenses

	2013	2012
Impairment of assets (-) / Reversal of impairment (+) of assets	-1 447	-182 193
Penalties	-10 581	-30 622
Tax non-deductible VAT expenses	-16 224	-6 632
Taxes and fees	-21 629	-3 196
Loss on assignment of receivables	-2 177	-570
Change in provisions (note 6.16)	1 503	37 743
Gifts	-10	-11 805
Contingent consideration paid	--	-9 694
Other	-12 216	-14 142
Total other expenses	**-62 781**	**-221 111**

Impairment of assets

	2013	2012
Impairment of property, plant and equipment total	**--**	**-10 200**
Impairment of goodwill total (1)	**-14 932**	**--**
Impairment of trading property total (note 6.7)	**-3 689**	**15 029**
Impairment of other receivables total	**2 124**	**--**
Impairment of trade receivables (note 6.8)	*3 769*	*-37 728*
Trade receivables - written off	*-10 116*	*--*
Impairment of trade receivables total (2)	**-6 347**	**-37 728**
Impairment of provided loans	*86 078*	*-149 294*
Loans provided - written off	*-64 681*	*--*
Impairment of provided loans total (2)	**21 397**	**-149 294**
Total impairment of assets	**-1 447**	**-182 193**

(1) Impairment of goodwill in 2013 primarily relates to acquisition of leasing companies (goodwill recognized and subsequently fully impaired of TCZK -12 549). For detail of business combinations refer to note 3.5.

(2) Impairment losses on trade and other receivables and loans provided include bad debt provisions and loss/gains related to receivables and loans provided written off/recovered. Hence the above shown split is disclosed.

5.10 Finance income

	2013	2012
Bank interest income	3 974	4 975
Interest income on bonds (1)	2 394	--
Interest income on loans and receivables (2)	701 619	450 082
Net foreign exchange gain	92 178	2 233
Gain on revaluation of financial derivatives (3)	104 991	43 550
Ineffective portion of changes in fair value of cash flow hedges	--	7 141
Other finance income (4)	566 058	434 447
Total finance income	**1 471 214**	**942 428**

(1) Interest income on bonds relates to bonds issued by 3rd party purchased by the Group (refer to note 6.5)

(2) Increase in interest income on loans and receivable reflects the process of financial assets restructuring performed by the Group in the second half of 2012. This process represented conversion of other receivables to non-current loans of TCZK 2 456 000 as described in Group's 2012 annual report.

(3) Gain on revaluation of financial derivatives relates to revaluation of interest rate swaps (not used for hedging) recognized at fair value as described in note 6.13.

(4) Net income from purchase of receivables represents profit resulting from purchase of receivables at discount and subsequent receipt of the cash settlement.

These transactions were carried out by the Group in connection with the acquisitions of ABLON Group and ENDURANCE companies respectively (note 3.5.) In respect of ABLON Group acquisition the Group purchased bank loans in nominal value app. TCZK 803 049 (app. TEUR 31 112) from bank that provided the loan facilities to ABLON Group and subsequently received the cash settlement from the debtor. The difference between the carrying value of acquired bank loans and received settlement is recognised as other finance income.

In respect of ENDURANCE companies the Group purchased bank loans in nominal value app. TCZK 372 095 (app. TEUR 13 781) from bank that provided the loan facilities to ENDURANCE companies and subsequently received the cash settlement from the debtor. The net result from this transaction of TCZK 168 955 is recognized as other finance income.

5.11 Finance costs

	2013	2012
Interest expense related to bank and non-bank loans	-940 714	-1 078 177
Interest expense on bonds issued (1)	-813 208	-460 968
Bank charges (2)	-101 140	-60 112
Interest expense related to finance leases	-44 843	-49 993
Interest expense on other non-current liabilities (3)	-21 632	-44 120
Loss on revaluation of financial derivatives	-6 458	-28 741
Other finance cost	-2 485	-864
Total finance cost	**-1 930 480**	**-1 722 975**

(1) Substantial increase in interest on bonds relates mainly to new bonds issued by the Group in the second half of 2012 and in 2013 (refer to note 6.12).

(2) Significant increase in bank charges relates mainly to bank arrangement fee released in connection with the repayment of certain bank loans. Bank loan arrangement fee is deferred and amortized over the duration of underlying bank loans. As a result of bank loan early repayments the remaining amount of arrangement fee was charged to statement of comprehensive income in 2013.

(3) Interest expense on other non-current liabilities dropped due to the early settlement of these non-current liabilities regarding the acquisition of subsidiary (refer to note 6.15).

5.12 Taxation

Tax recognised in profit or loss

	2013	2012
Current income tax expense		
Current year	-65 167	-90 399
Adjustment for prior years	2 992	1 426
Total	**-62 175**	**-88 973**
Deferred income tax expense		
Origination and reversal of temporary differences	-202 274	-337 088
Changes in income tax rate (1)	28 932	-93 222
Recognition (derecognition) of tax losses	-33 662	-7 027
Total	**-207 004**	**-437 337**
Income tax from continuing operations recognised in profit and loss	**-269 179**	**-526 310**
Total income tax recognised in profit or loss	**-269 179**	**-526 310**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

(1) The change in income tax rate is related to decrease of income tax rate in Slovakia from 23% to 22% with the effective date of 1 January 2014.

Reconciliation of effective tax rate

		2013	2012
Profit for the period		2 008 932	1 443 361
Total income tax recognised in profit or loss		-269 179	-526 310
Profit excluding income tax		**2 278 111**	**1 969 671**
Current income tax rate		19%	19%
Income tax expense using the domestic corporate income tax rate		-432 841	-374 237
Effect of tax rates in foreign jurisdictions		736	-66 078
Changes in income tax rate		28 932	-93 222
Non-deductible expense		-49 442	-76 680
Tax exempt income		162 834	60 595
Income tax adjustment for prior years		2 992	230
Other tax allowable credits			--
Change in unrecognized deferred tax asset		36 781	49 692
Change in the permanent tax differences		-19 149	-25 715
Other effects		-22	-895
Tax expense	11,8% (2012 – 26,7%)	**-269 179**	**-526 310**

The main tax rules imposed on the Group companies are as follows:

Czech Republic
The corporate income tax rate is 19% (2012: 19%). Tax losses can be carried forward for five years. Losses may not be carried forward on a substantial (approximately 25%) change in the ownership of a company unless certain conditions are met.

Slovakia
The corporate income tax rate is 23% (2012: 19%).

Hungary
Effective from 1 July 2010, the corporate income tax is levied at progressive rates. From 1 January 2011, the annual upper threshold for the 10% rate is HUF 500 million (i.e. only the excess over this threshold is taxed at 19%). Losses can be carried forward indefinitely, but the loss set off in each year is capped at the 50% of the taxable profit.

Ireland
The standard rate of corporation tax for trading profits is 12.5% (2012 – 12.5%). For profits from “excepted trades”, the corporation tax rate is 25% (2012 – 25%). Excepted trades include most dealings in land and certain petroleum activities. Non-trading income and foreign income are also subject to the 25% rate (2012 – 25%).

Netherlands
The corporate income tax rates are 20% (2012 – 20%) on the profits up to EUR 200,000 and 25% (2012 – 25%) on the excess. The same rates also apply to capital gains.

France
The corporate income tax rate is 33% (2012: 33%).

Poland
The corporate income tax rate is 19% (2012: 19%). Tax losses may be carried forward for 5 years, the loss set off in each year is capped at the 50% of the tax loss.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Romania

The general corporate income tax rate is 16 % (2012: 16%).Tax losses may be carried forward for 7 years (tax losses incurred before 2009 are to be carried forward for a five year period.

Cyprus

Companies, including public corporate bodies, were subject to corporation tax at a rate of 10% until 31 December 2012. From 1 January 2013 the corporation tax rate is 12.5%.

Guernsey and British Virgin Islands

The income is not taxed in Guernsey and British Virgin Islands.

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	
	2013	2012	2013	2012	2013	2012
Investment property	--	--	-6 236 605	-4 692 148	-6 236 605	-4 692 148
Property, plant and equipment	--	--	-1 421	-1 976	-1 421	-1 976
Intangible assets	11 270	--	--	--	11 270	--
Trading property		--	-105 095	-110 922	-105 095	-110 922
Interest-bearing loans and borrowings	109 108	241 507	--	--	109 108	241 507
Trade and other receivables	--	55 069	322	--	322	55 069
Trade and other payables	--	--	-49 452	--	-49 452	--
Provisions	--	--	-24 574	-18 085	-24 574	-18 085
Cash flow hedges	66 538	4 350	--	--	66 538	4 350
Other items	2 439	5 175	--	--	2 439	5 175
Tax losses carried-forward	99 615	52 388	--	--	99 615	52 388
Gross deferred tax assets/(liabilities)	**288 970**	**358 489**	**-6 416 825**	**-4 823 131**	**-6 127 855**	**-4 464 642**
Set-off of tax *	**-221 570**	**--**	**221 570**	**--**	**--**	**--**
Tax assets/(liabilities) held for sale	**--**	**--**	**--**	**--**	**--**	**--**
Net deferred tax assets/(liabilities)	**67 400**	**358 489**	**-6 195 255**	**-4 823 131**	**-6 127 855**	**-4 464 642**

* Deferred tax assets and liabilities are offset to reflect the net deferred tax position of individual taxable entities

Unrecognized deferred tax assets

Deferred tax assets were not recognized with respect following items:

	2013	2012
Investment property	44 498	--
Trade and other receivables	12 638	1 381
Tax losses carried-forward	209 024	194 213
Unrecognized deferred tax asset	**266 160**	**195 594**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Expiration of tax losses depends on jurisdiction of relevant country of which tax losses are derived from.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Movements in the temporary differences during the years 2013 and 2012

	Balance at January 2013	Recognised in profit or loss	Recognised in other comprehensive income *	Acquired in business combinations	Balance at 31 December 2013
Investment property	-4 692 148	31 699	-109 106	-1 467 050	-6 236 605
Property, plant and equipment	-1 976	555	--	--	-1 421
Intangible assets	--	11 270	--	--	11 270
Trading property	-110 922	5 827	--	--	-105 095
Interest-bearing loans and borrowings	241 507	-135 630	158	3 073	109 108
Trade and other receivables	55 069	-53 508	--	-1 239	322
Trade and other payables	--	-49 452	--	--	-49 452
Provisions	-18 085	10 255	--	-16 744	-24 574
Cash flow hedges	4 350	--	80 280	-18 092	66 538
Other items	5 175	4 757	--	-7 493	2 439
Tax losses carried-forward	52 388	-32 777	8 028	71 976	99 615
Total	**-4 464 642**	**-207 004**	**-20 640**	**-1 435 569**	**-6 127 855**

	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income *	Acquired in business combinations	Balance at 31 December 2012
Investment property	-4 236 522	-284 163	--	-171 463	-4 692 148
Property, plant and equipment	9 636	-15 145	--	3 533	-1 976
Intangible assets	15	-15	--	--	--
Trading property	--	-110 922	--	--	-110 922
Interest-bearing loans and borrowings	172 284	-10 267	--	79 490	241 507
Trade and other receivables	42 691	7 056	--	5 322	55 069
Trade and other payables	-3 432	3 432	--	--	--
Provisions	-13 944	-3 951	--	-190	-18 085
Other items	13 688	-9 977	4 338	1 476	9 525
Tax losses carried-forward	65 773	-13 385	--	--	52 388
Total	**-3 949 811**	**-437 337**	**4 338**	**-81 832**	**-4 464 642**

* Movement of deferred tax recognised in other comprehensive income include tax effects of cash flow hedges in conjunction with effects of translation to presentation currency

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6 Consolidated statement of financial position

6.1 Investment property

2013

	Industry and logistics	Retail	Office	Residential	Special assets	Hotels	Other	Land bank	Total
Balance at 1 January 2013	**3 045 360**	**18 386 882**	**9 844 229**	**7 474 843**	**917 900**	**3 623 419**	**695 348**	**3 683 839**	**47 671 820**
Acquisitions through business combinations	451 705	3 242 101	9 462 441	64 875	--	2 183 603	--	2 695 741	18 100 466
Reclassifications between segments	--	--	--	--	--	--	-695 348	695 348	--
Transfer from investment property under development	--	--	225 428	--	--	463 001	--	--	688 429
Transfer to investment property under development	--	--	--	--	--	--	--	-77 339	-77 339
Capital expenditures	3 400	81 926	31 928	44 954	2 631	160 412	--	29 271	354 522
Disposals	--	-9 313	-1 749	-220 559	--	-5 310	--	-7 147	-244 078
Valuation gain / (loss) – note 5.4	48 524	272 476	-125 333	348 441	-2 331	-302 196	--	-244 385	-4 804
Effect of movements in exchange rates	222 758	452 871	363 701	3 688	--	--	--	82 264	1 125 282
Balance at 31 December 2013	**3 771 747**	**22 426 943**	**19 800 645**	**7 716 242**	**918 200**	**6 122 929**	**--**	**6 857 592**	**67 614 298**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

2012

	Industry and logistics	Retail	Office	Residential	Special assets	Hotels	Other	Land bank	Total
Balance at 1 January 2012	**2 681 333**	**17 016 254**	**9 986 684**	**6 868 550**	**917 200**	**2 844 113**	**465 077**	**3 841 594**	**44 620 805**
Acquisitions through business combinations	351 924	608 531	--	77 676		--	--	--	1 038 131
Acquisitions which were not business combinations	--	369 205	--	--		1 181 580	--	--	1 550 785
Transfer from / (to) investment property under development	--	574 502	-66 344	--		707 306	--	--	1 215 464
Capital expenditures	90	159 990	24 627	16 573	1 774	331 997	70	1 303	536 424
Transfer from / (to) trading property - inventories	--	--	--	--		-1 776 568	--	--	-1 776 568
Transfer from / (to) property, plant and equipment	--	--	--	--	-4 980	--	-409	1 742	-3 647
Disposals	-887	-30 268	-84	-225 122	-7 294	--	--	-4 095	-267 750
Reclassifications between segments	--	--	--	--		--	78	-78	--
Valuation gain / (loss) – note 5.4	68 298	-204 763	-95 131	737 166	11 200	334 991	230 532	-156 627	925 666
Effect of movements in exchange rates	-55 398	-106 569	-5 523	--		--	--	--	-167 490
Balance at 31 December 2012	**3 045 360**	**18 386 882**	**9 844 229**	**7 474 843**	**917 900**	**3 623 419**	**695 348**	**3 683 839**	**47 671 820**

Acquisitions through business combinations

2013

In 2013 the Group has acquired investment property and investment property under development in total value of TCZK 18 924 881 (refer to note 3.5). Thereof investment property represents TCZK 18 100 466. The most significant items of investment property were acquired through following business combinations:

- As described in note 3.5 the Group acquired ABLON Group on 30 June 2013. Its investment property portfolio includes mainly office portfolio (total acquisition value of TCZK 4 220 651), land bank (TCZK 2 469 231) and retail portfolio (TCZK 1 008 887). Total leasable area exceeds 180 000 sqm. Acquired investment property includes land bank of app. 1 049 000 sqm as well.
- Acquisition of "ENDURANCE" Group with 9 entities holding a portfolio of six office buildings (app. 100 000 sqm of office premises with occupancy near 80%) in total value of TCZK 5 241 790 and three shopping centres offering more than 37 000 sqm of retail premises in total value of TCZK 1 079 527 (segment retail).
- Acquisition of VERETIX a.s. including its fully owned subsidiary Best Properties South, a.s. The entity holds multi-purpose complex Galerie Fenix at Vysočany with total leasable area exceeding 14 000 sqm in total value of TCZK 995 260 (segment retail) and four star hotel (segment hotels) in total value of TCZK 1 694 633.
- Acquisition of CURITIBA a.s. including its fully owned subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s. These entities hold hostel located in Praha-Hloubětín offering 1 670 beds and three star spa hotel located in Františkovy Lázně.
- Acquisition of Statenice Property Development, a.s. the acquired entity owns lands in Statenice with total area of app. 207 000 sqm in total value of TCZK 226 510 (land bank segment).

2012

In 2012 the Group has acquired investment property in total value of TCZK 1 041 233. The most significant items were acquired through following business combinations:

- Acquisition of remaining 50% stake in VT Holding, a.s. including its subsidiaries VT Alfa, a.s., 4B Property, s.r.o. and Horova Immo s.r.o. Acquired entities hold portfolio of 11 supermarkets and other commercial buildings in Třebíč, Teplice, Prague and Zlin with total retail space exceeding 43 000 sqm in total value of TCZK 528 280 (the value represents 50% of investment property acquired in step acquisition). The facilities are mainly leased to retail chains Billa, Penny Market and Interspar. Acquired properties are hold under long-term lease arrangements with expiration dates in 2020-2023.
- Acquisition of T.Land, a.s. including its subsidiary EDELWEISS Development s.r.o. T.Land, a.s. holds seven logistics halls near Prague (Vestec, Čestlice and Jažlovice) with combined leasable area of 11 000 sqm and total value of TCZK 351 924 (segment logistics). EDELWEISS Development s.r.o. holds two supermarkets leased to Billa chain located in Tábor and České Budějovice in total value of TCZK 80 251 (segment retail). Majority of acquired properties are hold under long-term lease arrangements with expiration dates in 2015-2023.
- Acquisition of BAYTON Beta, a.s. The acquired entity owns and rents apartment houses and separate flats in Vysočany, Řepy and Libeň in total value of TCZK 77 676 (residential segment).

Acquisitions of investment property projects

2012

In 2012 the Group acquired portfolio of nine supermarkets from TREI Real Estate Czech Republic. Supermarkets are located in Czech Republic, (Dobříš, Holešov, Holice, Jablonec nad Nisou, Liberec, Říčany, Semily, Turnov and Tanvald) with leasable area of 10 900 sqm in total amount of TCZK 369 205.

All properties are leased to Penny Market and Billa chains till 2023.

In July 2012 the Group also purchased the hotel complex Palais Maeterlinck in the French resort of Nice in total amount of TCZK 1 181 580. In connection with the acquisition the Group also purchased receivables from previous owner relating to this project from Irish consolidation agency National Asset Management Agency (NAMA). For details refer to note 5.10.

Transfer from investment property under development

2013

In November 2013 the Group has completed new multi-purpose complex CPI City Center Olomouc (including Clarion Congress Hotel Olomouc) and consequently transferred the completed property in total value of TCZK 688 429 from investment property under development to investment property. Thereof TCZK 463 001 to hotel segment and TCZK 222 428 to office segment.

2012

In April 2012 the Group has completed reconstruction of Clarion Congress Hotel České Budějovice (Vigano, a.s.) and consequently transferred the completed property in total value of TCZK 707 306 from investment property under development to investment property (hotel segment).

In November 2012 the Group has completed new retail centre in Trutnov (MAPON, a.s.) and consequently transferred the completed property in total value of TCZK 574 502 from investment property under development to investment property (retail segment). The retail park represents 22 000 sqm of fully rented leasable area.

Transfer to investment property under development

2013

At the end of 2013 the Group has started construction of new office building in Prague – Karlín (Meteor C). The building will offer 5 560 sqm of office and storage space and 525 sqm of retail space. Its completion is expected in Q1 2015. As a result of this project the Group has transferred land bank of TCZK 77 339 (CPI Meteor Centre, s.r.o.) from investment property to investment property under development.

2012

At the end of 2012 the Group has started project of extension of shopping center IGY Centrum České Budějovice. As a result the Group has transferred investment property of TCZK 66 344 (LUDLOW a.s) from investment property (office segment) to investment property under development.

Capital expenditures

2013

The most significant capital expenditures in 2013 represent partial refurbishment of Clarion Congress Hotel (former Hotel Atom) in Ostrava (Kerina, a.s.).

2012

The most significant additions in 2012 represent extension of retail park in Beroun (Beroun Property Development, a.s.) and partial reconstruction of Clarion Congress Hotel (former Hotel Atom) in Ostrava (Kerina, a.s.).

In 2013 and 2012, no borrowing costs were capitalized for investment property.

Transfer from property, plant and equipment

2012

There were no significant transfer from property, plant and equipment in 2012.

Transfer to trading property – inventories

2012

Based on obtained permission for development, the intention to start residential development project and actual status of Palais Maeterlinck project, the Group has transferred TCZK 1 776 568 from investment property under development to inventories. Transferred amount included project acquisition cost, other costs incurred of TCZK 267 414 and valuation gain of TCZK 327 574.

Disposals

Disposals in 2013 and 2012 comprise mainly sales of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. to current tenants in total carrying value of TCZK 214 238 (2012 - TCZK 215 180). In 2012, the Group also sold buildings with related lands from investment property portfolio of Horova Immo s.r.o. in total carrying value of TCZK 20 810. For further information refer to note 5.5.

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 other currency than CZK as functional currency to presentation currency of consolidated financial statements (CZK) and as a result of fluctuations in foreign currency exchange rates.

Leased investment properties

Investment properties at an aggregate value of TCZK 1 592 953 at 31 December 2013 (2012 – TCZK 3 319 835) are held under long-term operating lease arrangements, which expire at varying dates between 2020 and 2033. Substantial decrease of value reflects acquisition of leasing companies (lessors) as described in note 3.5.
For liabilities related to leased investment properties refer to note 6.11.

Pledged investment properties

For information related to pledged investment properties refer to note 6.11.

Fair value measurement of investment property

6.1.1. Fair value hierarchy

The Group's investment properties were valued at 31 December 2013 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

The independent valuer provides appraisal of the Group´s investment property annually.

At 1 January 2013 the fair value measurement for investment property of TCZK 47 671 820 has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.1.2. Level 3 fair value

Reconciliation from the opening balances at 1 January 2013 to the closing balances at 31 December 2013 for Level 3 fair values is shown in the following table:

Balance at 1 January 2013	**47 671 820**
Acquisitions through business combinations	18 100 466
Transfer from investment property under development	688 429
Transfer to investment property under development	-77 339
Additions	354 522
Disposals	-244 078
Valuation gain / (loss) – note 5.4	-4 804
Effect of movements in exchange rates	1 125 282
Balance at 31 December 2013	**67 614 298**

6.1.3. Valuation technique and significant unobservable inputs

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value would increase (decrease) if:
Industry and logistics - Czech Republic - Central Bohemia	Income capitalisation	Estimated rental value per sqm	1 217 CZK/sqm - 1 354 CZK/sqm (1 300 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	1 439 CZK/sqm - 1 762 CZK/sqm (1 635 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	8,79%-9% (8,92%)	Equivalent yield were lower (higher)
		Vacancy rate	0%	Vacancy rate were lower (higher)
Industry and logistics - Czech Republic - West Bohemia	Income capitalisation	Estimated rental value per sqm	717 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	544 CZK/sqm	Estimated net current income were higher (lower)
		Equivalent yield	12%	Equivalent yield were lower (higher)
		Vacancy rate	41,20%	Vacancy rate were lower (higher)
Industry and logistics - Slovakia	Income capitalisation	Estimated rental value per sqm	1 407 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	1497 CZK/sqm	Estimated net current income were higher (lower)
		Equivalent yield	8,25%	Equivalent yield were lower (higher)
		Vacancy rate	6,3%	Vacancy rate were lower (higher)
Industry and logistics - Hungary	Income capitalisation	Estimated rental value per sqm	1 623 CZK/sqm - 1 709 CZK/sqm (1 685 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	1 425 CZK/sqm - 1 769 CZK/sqm (1 674 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	8,64%-9,21% (9,05%)	Equivalent yield were lower (higher)
		Vacancy rate	3%-8,72% (4,59%)	Vacancy rate were lower (higher)

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value would increase (decrease) if:
		Exit yield	9%-9,25% (9,18%)	Exit yield were lower (higher)
Retail - Czech Republic - Prague Center	Income capitalisation	Estimated rental value per sqm	4 426 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	3 936 CZK/sqm	Estimated net current income were higher (lower)
		Equivalent yield	5%	Equivalent yield were lower (higher)
		Vacancy rate	5%	Vacancy rate were lower (higher)
Retail - Czech Republic - Prague Other	Income capitalisation	Estimated rental value per sqm	1 964 CZK/sqm - 2 978 CZK/sqm (2 487 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	1 733 CZK/sqm - 3 131 CZK/sqm (2 442 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	8,58%-9% (8,7%)	Equivalent yield were lower (higher)
		Vacancy rate	0%-23% (11%)	Vacancy rate were lower (higher)
Retail - Czech Republic - Other	Income capitalisation	Estimated rental value per sqm	1 318 CZK/sqm - 5 392 CZK/sqm (2 981 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	1 129 CZK/sqm - 5 551 CZK/sqm (3 456 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	3,24% - 9,30% (6,93%)	Equivalent yield were lower (higher)
		Vacancy rate	0%-47% (5%)	Vacancy rate were lower (higher)
Retail - Hungary - Budapest Center	DCF method	Estimated rental value per sqm	7 582 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	6 290 CZK/sqm	Estimated net current income were higher (lower)
		Equivalent yield	8,19%	Equivalent yield were lower (higher)
		Vacancy rate	12%	Vacancy rate were lower (higher)
		Discount rate	8,25%	Discount rate were lower (higher)
Retail - Hungary - Other	DCF method	Estimated rental value per sqm	1 550 CZK/sqm - 1 671 CZK/sqm (1 566 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	924 CZK/sqm - 1 126 CZK/sqm (1 017CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	9%-9,7% (9,24%)	Equivalent yield were lower (higher)
		Vacancy rate	0%-33% (25%)	Vacancy rate were lower (higher)
		Discount rate	10%	Discount rate were lower (higher)
Retail - Slovakia	Income capitalisation	Estimated rental value per sqm	2 476 CZK/sqm - 3 467 CZK/sqm (2 983 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	2 416 CZK/sqm - 3 834 CZK/sqm (3 072 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	7,5%-8,5% (7,93%)	Equivalent yield were lower (higher)
		Vacancy rate	0%-1,03% (0,12%)	Vacancy rate were lower (higher)

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value would increase (decrease) if:
Retail - Poland	DCF method	Estimated rental value per sqm	5 724 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	5 622 CZK/sqm	Estimated net current income were higher (lower)
		Equivalent yield	8,54%	Equivalent yield were lower (higher)
		Vacancy rate	0%	Vacancy rate were lower (higher)
		Discount rate	8,75%	Discount rate were lower (higher)
Office - Czech Republic - Prague	Income capitalisation	Estimated rental value per sqm	2 994 CZK/sqm - 5 287 CZK/sqm (3 954 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	2 674 CZK/sqm - 5 583 CZK/sqm (3 885CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	3,6%-8,49% (6,87%)	Equivalent yield were lower (higher)
		Vacancy rate	0%-30,92% (4 %)	Vacancy rate were lower (higher)
Office - Czech Republic - Other	Income capitalisation	Estimated rental value per sqm	2 838 CZK/sqm	Estimated rental value were higher (lower)
		Net current income per sqm	1 805 CZK/sqm - 6 209 CZK/sqm (2 695 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	7,75%	Equivalent yield were lower (higher)
		Vacancy rate	24,27%-61,02% (33,58 %)	Vacancy rate were lower (higher)
Office - Poland	Income capitalisation	Estimated rental value per sqm	4 383 CZK/sqm - 6382 CZK/sqm (5 810 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	2 405 CZK/sqm - 5 828 CZK/sqm (4 848 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	5,13%-8,9% (7,82%)	Equivalent yield were lower (higher)
		Vacancy rate	12,40%-33,44% (18,43%)	Vacancy rate were lower (higher)
Office - Hungary	Income capitalisation	Estimated rental value per sqm	2 370 CZK/sqm - 4 320 CZK/sqm (3 744 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	584 CZK/sqm - 4 065 CZK/sqm (3 043 CZK/sqm)	Estimated net current income were higher (lower)
		Equivalent yield	2,32%-8,84% (5,06%)	Equivalent yield were lower (higher)
		Vacancy rate	12%-77% (29,1%)	Vacancy rate were lower (higher)
Residential - Czech	DCF method	Estimated rental value per sqm	715 CZK/sqm - 1 320 CZK/sqm (721 CZK/sqm)	Estimated rental value were higher (lower)
		Net current income per sqm	551 CZK/sqm - 1 169 CZK/sqm (558 CZK/sqm)	Estimated net current income were higher (lower)
		Exit yield	5,0%-6,5% (6,49%)	Exit yield were lower (higher)
		Vacancy rate	0%-24,19% (24,1%)	Vacancy rate were lower (higher)
		Discount rate	6,0%-7,36% (7,35%)	Discount rate were lower (higher)
		Doubtful debtors	1,0%-3,94% (3,92%)	Share of doubtful debtors were lower (higher)

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement: The estimated fair value would increase (decrease) if:
Special Assets - Czech Republic - Prague	Income capitalisation	Estimated rental value per sqm	5 154 CZK	Estimated rental value were higher (lower)
		Equivalent yield	6,25%	Equivalent yield were lower (higher)
		Vacancy rate	100%	Vacancy rate were lower (higher)
Hotels - Czech Republic - Prague	Market comparable method	Rate per key	1 535 TCZK - 3 792 TCZK (2 216 TCZK)	Estimated rate per key were higher (lower)
		Net current income per sqm	5 512 CZK/sqm - 30 000 CZK/sqm (20 107 CZK/sqm)	Estimated net current income were higher (lower)
Hostel - Czech Republic - Prague	Market comparable method	Rate per key	270 TCZK	Estimated rate per key were higher (lower)
		Net current income per sqm	2 240 CZK/sqm	Estimated net current income were higher (lower)
Hotels - Czech Republic - Other	Market comparable method	Rate per key	718 TCZK - 1 659 TCZK (1 355 TCZK)	Estimated rate per key were higher (lower)
		Net current income per sqm	990 CZK/sqm - 7 085 CZK/sqm (1 351 CZK/sqm)	Estimated net current income were higher (lower)
Land Bank - Czech Republic - Prague Center	Sales comparison	Sales price per sqm	85 000 CZK/sqm	Expected sales price per sqm were higher (lower)
Land Bank - Czech Republic - Prague	Sales comparison	Sales price per sqm	3 275 CZK/sqm	Expected sales price per sqm were higher (lower)
Land Bank - Czech Republic - Other	Sales comparison	Sales price per sqm	110 CZK/sqm - 30 000 CZK/sqm (2 888 CZK/sqm)	Expected sales price per sqm were higher (lower)
Land Bank - Hungary	Sales comparison	Sales price per sqm	6 593 CZK/sqm - 330 204 CZK/sqm (43 839 CZK/sqm)	Expected sales price per sqm were higher (lower)
Land Bank - Romania - Bucharest	Sales comparison	Sales price per sqm	24 826 CZK/sqm	Expected sales price per sqm were higher (lower)
Land Bank - Romania - Other	Sales comparison	Sales price per sqm	963 CZK/sqm - 11 905 CZK/sqm (3 377CZK/sqm)	Expected sales price per sqm were higher (lower)
Land Bank - Poland	Sales comparison	Sales price per sqm	4 265 CZK/sqm	Expected sales price per sqm were higher (lower)

Discounted cash flow method (DCF) – *application guidance provided by IVSC, www.ivsc.org*

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Market comparable method – *application guidance provided by IVSC, www.ivsc.org*

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied is the price per square metre (sqm).

Income capitalisation method - *application guidance provided by IVSC, www.ivsc.org*

Under the income capitalisation method, a property´s fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor´s rate of return). The difference between gross and net rental income includes expense categories such as vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. When using the income capitalisation method, the mentioned expenses have to be included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised.

Management's adjustments made in respect of valuations appraisals

The management of the Group did not make any adjustments to valuations appraisals and the carrying amounts of properties strictly follow methods of investment property valuation as described in Group's policy as at 31 December 2013.

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 and land bank segments providing all other variables remain constant. The table below presents the sensitivity of profit or loss before tax as at 31 December 2013 and 31 December 2012 due to changes in assumptions:

Change in yield

2013	Current average yield*	Current market value	Increased yield by 100 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 100 bp in yield	7,21%	52 122 264	8,21%	45 770 350	-6 351 914

* current average yield was calculated based on adjusted (annualized) rental income to reflect the acquisitions of subsidiaries in 2013

2012	Current average yield	Current market value	Increased yield by 100 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 100 bp in yield	6,92%	33 054 622	7,92%	28 865 568	-4 189 054

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Change in income

2013	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10 % from rental activities	Effect of increased income to profit or (loss)
Hotels	206 795	6 122 929	227 474	6 735 221	612 292
Industry and logistics	277 849	3 771 747	305 634	4 148 922	377 175
Office	942 517	19 800 645	1 036 769	21 780 710	1 980 065
Retail	1 509 806	22 426 943	1 660 787	24 669 638	2 242 695
Increase by 10% in income	**2 936 967**	**52 122 264**	**3 230 664**	**57 334 491**	**5 212 227**

2012	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10 % from rental activities	Effect of increased income to profit or (loss)
Hotels	172 106	3 384 439	189 317	3 722 883	338 444
Industry and logistics	235 772	3 065 140	259 349	3 371 654	306 514
Office	646 493	9 387 722	711 142	10 326 494	938 772
Other	14 012	63 498	15 413	69 848	6 350
Retail	1 217 770	17 153 823	1 339 547	18 869 205	1 715 382
Increase by 10% in income	**2 286 153**	**33 054 622**	**2 514 768**	**36 360 084**	**3 305 462**

6.2 Investment property under development

2013

	Total
Balance at 1 January 2013	**1 519 429**
Acquisitions through business combinations	824 415
Transfer from investment property	77 339
Transfer to investment property	-688 429
Development costs	511 921
Valuation gain – note 5.4	104 514
Balance at 31 December 2013	**2 349 189**

2012

	Total
Balance at 1 January 2012	**1 906 076**
Acquisitions through business combinations	3 102
Transfer to investment property	-1 215 464
Additions	904 418
Transfer to trading property – inventories	-18 672
Disposals	-34 026
Valuation loss	-26 005
Balance at 31 December 2012	**1 519 429**

Acquisitions through business combinations

2013

Acquisition of investment property under development totalling TCZK 824 415 represents purchase of remaining stake (50%) in CPI Národní, s.r.o. as described in note 3.5).

2012

Acquisition of 100% stake in Olomouc Office, a.s. (TCZK 3 102) represent acquisition through business combinations of investment property under development in 2012.

Transfer to investment property

Refer to note 6.1

Transfer from investment property

Refer to note 6.1

Development costs

2013

The main development costs in 2013 represent costs related to multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s. and Olomouc Office, a.s.) of TCZK 224 181 and multifunctional complex QUADRIO (CPI Národní, s.r.o.) of TCZK 284 173.

2012

The main development costs in 2012 represented costs of retail center in Trutnov (MAPON, a.s.), multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.), reconstruction of hotel complex Palais Maeterlinck (CPI France, a SASU) and Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.).

Additions of Investment property under development include capitalized borrowing costs of TCZK 18 646 (2012 - TCZK 36 277). For each development asset the Group set up separate entity and as a result the interest expenses on the entity are fully related to the asset under development and then the capitalization rate amounts to 100%.

Transfer to trading property - inventories

At the end of 2012 the Group also transferred land in total carrying value of TCZK 18 672 from investment property under development to inventories in connection with beginning of development of project Jižní stráň II project. This project relates to development of family houses in Březiněves (Březiněves, a.s.).

Disposals

Disposals in 2012 comprise mainly sale of lands in Březiněves (Březiněves, a.s.) in total carrying value of TCZK 24 000.

Valuation gains/losses

Refer to 5.4

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Fair value measurement of investment property under development

6.2.1. Fair value hierarchy

At 1 January 2013 the fair value measurement for investment property under development of TCZK 1 519 429 has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

6.2.2. Level 3 fair value

Reconciliation from the opening balances at 1 January 2013 to the closing balances at 31 December 2013 for Level 3 fair values is shown in the following table:

	Total
Balance at 1 January 2013	**1 519 429**
Acquisitions through business combinations	824 415
Transfer from investment property	77 339
Transfer to investment property	-688 429
Development costs	511 921
Valuation gain	104 514
Balance at 31 December 2013	**2 349 189**

6.2.3. Valuation technique and significant unobservable inputs

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement: *The estimated fair value would increase (decrease) if:*
Investment property under development - Czech Republic - Prague - Project 1	Development Appraisal/Residual Method	Gross development value	4 473 MCZK	Estimated gross development value were higher (lower)
		Residual value	1 229 MCZK	Estimated residual value were lower (higher)
Investment property under development - Czech Republic - Prague - Project 2	Development Appraisal/Residual Method	Gross development value	319 MCZK	Estimated gross development value were higher (lower)
		Residual value	77 MCZK	Estimated residual value were lower (higher)
Investment property under development - Czech Republic - Other	Development Appraisal	Gross development value	558 MCZK	Estimated gross development value were higher (lower)
		Estimated rental value	43 MCZK	Estimated gross development value were higher (lower)

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.3 Property, plant and equipment

2013

	Hotel	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
Cost						
Balance at 1 January 2013	**--**	**79 736**	**40 633**	**51 684**	**9 118**	**181 171**
Acquisitions through business combinations	537 308	--	--	4 156	6 087	547 551
Additions	4 405	2 271	7 754	95	311	14 836
Disposals	--	-1 424	-7 616	-3 168	--	-12 208
Effect of movements in exchange rates	24 965	--	--	--	--	24 965
Balance at 31 December 2013	**566 679**	**80 583**	**40 771**	**52 767**	**15 516**	**756 316**
Accumulated depreciation and impairment losses						
Balance at 1 January 2013	**--**	**6 717**	**18 635**	**47 130**	**--**	**72 482**
Depreciation for the period	13 896	6 809	9 690	--	--	30 395
Disposals	--	-1 600	-6 677	--	--	-8 277
Effect of movements in exchange rates	--	-33	--	--	--	-33
Balance at 31 December 2013	**13 896**	**11 893**	**21 648**	**47 130**	**--**	**94 567**
Carrying amounts						
At 31 December 2012	**--**	**73 019**	**21 998**	**4 554**	**9 118**	**108 689**
At 31 December 2013	**552 783**	**68 690**	**19 123**	**5 637**	**15 516**	**661 749**

2012

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
Cost					
Balance at 1 January 2012	**11 232**	**42 994**	**71 421**	**3 785**	**129 432**
Additions	58 227	6 596	3 610	353	68 786
Disposals	-3 022	-8 951	-6 877	--	-18 850
Transfer from/ to investment property	409	--	-3 570	4 980	1 819
Transfer	12 900	--	-12 900	--	--
Effect of movements in exchange rates	-10	-6	--	--	-16
Balance at 31 December 2012	**79 736**	**40 633**	**51 684**	**9 118**	**181 171**
Accumulated depreciation and impairment					
Balance at 1 January 2012	**5 041**	**19 977**	**38 332**	**--**	**63 350**
Depreciation for the period	2 665	7 477	--	--	10 142
Impairment loss	--	--	10 200	--	10 200
Disposals	-991	-8 819	426	--	-9 384
Transfer to investment property	--	--	-1 828	--	-1 828
Effect of movements in exchange rates	2	--	--	--	2
Balance at 31 December 2012	**6 717**	**18 635**	**47 130**	**--**	**72 482**
Carrying amounts					
At 31 December 2011	**6 191**	**23 017**	**33 089**	**3 785**	**66 082**
At 31 December 2012	**73 019**	**21 998**	**4 554**	**9 118**	**108 689**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Acquisitions through business combinations

2013

The substantial increase in balance of property, plant and equipment is directly attributable to ABLON Group acquisition (refer to note 3.5). The ABLON Group operates the Courtyard by Marriott Budapest City Center Hotel in Budapest.

Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, ABLON Group and consequently the Group recognize hotel property operated according to IAS 16 at cost less depreciation. Any increases in the value of other properties are not recognized in the profit in the respective reporting period, but are measured using the cost model according to IAS 16.30.

Additions

2012

Transport vehicles acquired by CPI Heli, s.r.o. in total amount of TCZK 66 594 represented the most significant addition in 2012.

In 2013 and 2012, no borrowing costs were capitalized for PPE.

Transfer from/ to investment property

2012

In accordance with accounting policies applied, the Group re-assessed the use of certain items of property, plant and equipment and changed their classification from owner-occupied to investment property or vice versa. In 2012, total carrying value of reclassified property amounted to TCZK 1 742. On the contrary investment property amounting of TCZK 5 389 was reclassified to property, plant and equipment in 2012.

No gain or loss arose on the re-measurement of the respective property.

Impairment

The Group did not record in 2013 any impairment expense related to property, plant and equipment (2012 – impairment expense of TCZK 10 200).

The carrying amount of the hotel is supported by valuation appraisal prepared by independent valuator as at 31 December 2013. As a result of the appraisal there is no indication of potential impairment as at 31 December 2013.

For the valuation the DCF method was used.

The key assumptions made in relation of hotel property valuation were as follows:

2013	Capitalization rate	Discount Rate
Term & Reversion Calculations	8,50%	9,30%
DCF Calculations for vacant or indefinite leased areas	9,50%	10,30%

Carrying amount of property, plant and equipment pledged as collateral for liabilities represents TCZK 552 782 as at 31 December 2013 (2012 – TCZK 0).

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.4 Intangible assets

2013

	Goodwill	Software	Other	Total
Cost				
Balance at 1 January 2013	**--**	**31 324**	**122**	**31 446**
Effect of business combinations (note 3.5)	63 595	--	--	63 595
Additions	--	7 082	4 952	12 034
Balance at 31 December 2013	**63 595**	**38 406**	**5 074**	**107 075**
Amortisation and impairment losses				
Balance at 1 January 2013	**--**	**13 151**	**2**	**13 153**
Amortisation for the period (+)	--	9 995	--	9 995
Impairment	14 932	--	--	14 932
Balance at 31 December 2013	**14 932**	**23 146**	**2**	**38 080**
Carrying amounts				
At 31 December 2012	**--**	**18 173**	**120**	**18 293**
At 31 December 2013	**48 663**	**15 260**	**5 072**	**68 995**

2012

	Software	Other	Total
Cost			
Balance at 1 January 2012	**19 193**	**--**	**19 193**
Additions	12 892	122	13 014
Balance at 31 December 2012	**32 085**	**122**	**32 207**
Amortisation and impairment losses			
Balance at 1 January 2012	**9 358**	**--**	**9 358**
Amortisation for the period (+)	4 554	2	4 556
Balance at 31 December 2012	13 912	2	13 914
Carrying amounts			
At 31 December 2011	**9 835**	**--**	**9 835**
At 31 December 2012	**18 173**	**120**	**18 293**

Additions

In 2013 and 2012, additions are mainly attributable to new software acquired by CPI Services, a.s.

Goodwill

Closing balance of goodwill includes goodwill of TCZK 48 663 recognized by the Group. The goodwill relates to acquisition of ABLON Group on 30 June 2013 only, note 3.5. Goodwill is allocated to retail segment.
None of the goodwill recognised is expected to be deductible for tax purposes.

Impairment of goodwill

As a result of impairment test the Group recognized TCZK 14 932 impairment charges as at 31 December 2013. This impairment charge primarily relates to acquisition of leasing companies of which total goodwill of TCZK 12 549 arose.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.5 Other investments

Non-current investments

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

	2013	2012
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 (share 0,57%)	300	300
STRM Delta a.s. (share 0,07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	20
Moravský Peněžní Ústav - spořitelní družstvo	2	2
Total equity investments	**11 768**	**11 768**
Debentures (1)	37 709	--
Total other non-current investments	**49 477**	**11 768**

Current

	2013	2012
Interest to debentures (1)	209	--
Total other current investments	**209**	**--**

The Group received TCZK 48 from dividends in 2013 (2012 – 0 TCZK).

(1) The Group acquired debentures issued by 3rd party in total nominal value of TCZK 37 709. Debentures are denominated in EUR. The debentures bear interest rate of 10% p.a. and are due on 10 December 2016. Interest are paid on annually basis. Debentures are not publicly traded and not secured.

The above investments do not have a quoted market price in an active market and their fair values cannot be reliably measured are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2013.

For breakdown of the carrying amounts and fair values of financial assets and financial liabilities refer to note 7.5.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.6 Loans provided

Non-current

	2013 Balance	2013 Average interest rate	2012 Balance	2012 Average interest rate
Loans provided - related parties (note 8)	3 253 063	11,94%	2 639 978	11,02%
Loans provided - joint ventures (1)	--	--	274 248	8,23%
Loans provided - third parties (2)	625 207	7,63%	2 590 973	9,89%
Total non-current loans provided	**3 878 270**	**--**	**5 505 199**	**--**
Impairment to non-current loans provided to third parties	--	--	--	--
Total non-current loans provided net of impairment	**3 878 270**	**--**	**5 505 199**	**--**

Current

	2013 Balance	2013 Average interest rate	2012 Balance	2012 Average interest rate
Loans provided - related parties (note 8)	663 710	3,54%	64 332	3,56%
Loans provided - joint ventures (1)	--	--	12 328	0,00%
Loans provided - third parties (2)	782 050	7,41%	1 214 509	8,78%
Bills of exchange - third parties (3)	165 037	6,00%	--	--
Total current loans provided	**1 610 797**	**--**	**1 291 169**	**--**
Impairment to current loans provided to third parties	-63 216	--	-149 294	--
Total current loans provided net of impairment	**1 547 581**	**--**	**1 141 875**	**--**

Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period. Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period.

(1) Decrease in loans provided to joint ventures is related to acquisition of remaining 50% stake in CPI Národní, s.r.o., refer to note 3.5.
(2) Substantial decrease in loans provided to third parties is affected mainly by ABLON Group acquisition. In 2013, the Group has offset MCZK 1 568 939 of these loans provided against payables for ABLON acquisition. Significant effect also represents offset of mutual loans provided to third parties with payables to these parties which were acquired through business combinations totalling TCZK 756 375 carried out in December 2013.
(3) Bills of exchange – it includes one bill of exchange from third party with maturity on 15 December 2014 and fixed interest 6% p.a.

The Group provides 33 non-current loans to third parties (2012 – 39) with interest rates between 3,00% and 15% (2012 – between 3,15% and 12%) and 26 current loans to third parties (2012 – 25) with interest rate between 4,00% and 15,00% (2012 – between 1,05% and 15,00%).

Current loans provided to third parties were impaired to reflect the recoverable amount.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The Group monitors value of debtor's assets concerning to non-current loans provided on ongoing basis. As at 31 December 2013 the Group has reasonable certainty that non-current loans provided will be repaid by the counterparty in full amount.

For breakdown of the carrying amounts and fair values of financial assets and financial liabilities refer to note 7.5.
Loans provided are not secured.

The maturity of non-current loans provided at 31 December 2013 and as at 31 December 2012 was as follows:

2013

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	912 893	861 039	1 479 131	3 253 063
Loans provided - third parties	127 583	148 814	348 510	625 207
Total	**1 040 476**	**1 009 853**	**1 827 941**	**3 878 270**

2012

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	980 225	1 493 390	166 363	2 639 978
Loans provided to joint ventures	--	--	274 248	274 248
Loans provided - third parties	113 297	928 833	1 548 843	2 590 973
Total	**1 093 522**	**2 422 223**	**1 989 454**	**5 505 199**

6.7 Trading property – inventories

	2013	2012
Projects and property for resale, net of write-down (1)	79 852	--
Projects under development (2)	2 535 812	1 805 858
Other inventory	1 271	170
Total	**2 616 935**	**1 806 028**

(1) Projects and property for resale relates to acquisition of ABLON Group (refer to note 3.5). As a result of the business combinations the Group acquired several residential finished projects intended for further sale. These projects are located mainly in Prague – Čakovice.
The Group recognized write-down of TCZK 3 689 in respect of above mentioned project. This recognised write-down reflects valuation appraisal prepared by independent valuator as at 31 December 2013.

(2) Project under development primarily includes projects related to "Palais Maeterlinck project" in total amount of TCZK 2 377 111 and "Jižní stráň project" (Březiněves, a.s.) totalling of TCZK 37 327. Increase in projects under development represents mainly ongoing development in respect of "Palais Maeterlinck project".

The Group expects finalization of "Palais Maeterlinck project" in summer 2014.
Additions of trading property-inventories include capitalized borrowing costs of TCZK 32 633 (2012 – TCZK 29 634). For each project under development the Group set up separate entity and as a result the interest expenses on the entity are fully related to the projects development and then the capitalization rate amounts to 100%.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The carrying amount of the “Palais Maeterlinck project” totalling of TCZK 2 377 111 is supported by valuation appraisal prepared by independent valuator as at 31 December 2013. As a result of this appraisal there is no indication of potential write-down as at 31 December 2013.

Carrying amount of inventory pledged as collateral for liabilities represents TCZK 2 377 111 as at 31 December 2013 (2012 – TCZK 1 776 568).

6.8 Trade and other receivables

Non-current

	2013	2012
Advances paid	15 320	10 067
Non-financial trade and other receivables	**15 320**	**10 067**
Receivables acquired through assignment (1)	--	611 245
Receivables from retentions (2)	--	3 868
Trade receivables due from third parties	3 505	--
Rental deposits	--	4 180
Other receivables due from third parties	670	38
Financial trade and other receivables	**4 175**	**619 331**
Total non-current receivables	**19 495**	**629 398**
Total trade and other receivables net of impairment	**19 495**	**629 398**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Current

	2013	2012
Advances paid (4)	157 299	164 501
Other tax receivables	692	16 509
Prepaid expenses	253 522	179 066
Non-financial trade and other receivables	**411 513**	**360 076**
Trade receivables due from related parties (2)	32 817	2 887
Trade receivables due from joint ventures	--	121
Trade receivables due from third parties	1 357 707	1 178 931
Advances paid for financial investment (3)	421 852	--
Receivable related to purchase price adjustment (5)+ (note 3.5)	402 137	--
Receivables from sale of subsidiaries	--	146 637
Receivables from sale of receivables	523 982	604 075
Receivables acquired through assignment	91 934	101 306
Receivables from retentions	--	14 017
Receivables due from employees	168	--
Other receivables due from related parties	719 920	4 379
Other receivables due from third parties	93 437	78 775
Financial trade and other receivables	**3 643 954**	**2 131 128**
Total current receivables	**4 055 467**	**2 491 204**
Impairment to trade receivables due from third parties	-331 953	-335 722
Impairment to other receivables due from third parties	-19 035	-21 159
Total impairment to current receivables	**-350 988**	**-356 881**
Total trade and other receivables net of impairment	**3 704 479**	**2 134 323**

(1) Non-current receivables acquired through assignment were in 2013 sold to related party and resulting receivable from the assignment is disclosed within current other receivables due from related parties in amount of TCZK 266 132 and partly set-off with other payables due to third parties related to acquisition of ABLON Group.

(2) Trade receivables due from third parties represent primarily trade receivables from tenants of TCZK 1 003 368 (2012 - TCZK 871 250) and receivables from invoicing of utilities of TCZK 311 358 (2012 - TCZK 273 360). Receivables from invoicing of utilities will be settled against Advances received from tenants when final amount of utilities consumption is known and final utilities invoicing is performed. Increase is attributable mainly to acquisitions of entities in 2013.

(3) Advance paid for financial investment represent preliminary purchase price paid to third party for the acquisition of entity domiciled in Hungary. The Group expects that the transaction will be completed in H1 2014.

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

(5) Receivable related to purchase price adjustment is repayable till the 30th June 2014.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013
Impairment of trade receivables - creation	-47 317
Impairment of trade receivables - release	51 086
Impairment of trade receivables - written off	-10 116
Total impact to profit/loss	**-6 347**

6.9 Cash and cash equivalents

	2013	2012
Bank balances	2 983 207	3 758 754
Cash on hand	22 712	18 750
Total	**3 005 919**	**3 777 504**

For pledged cash refer to note 6.11

6.10 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	
	2013	2012
Issued at 1 January	7 733 746	5 535 175
New shares issued and paid in the year	--	2 198 571
Issued at 31 December	**7 733 746**	**7 733 746**

The Company didn’t subscribe any new shares in 2013. The subscribed capital of the Company as at 31 December 2013 was TCZK 6 186 997 (as at 31 December 2012 – TCZK 6 186 997), comprising 7 733 746 shares (as at 31 December 2012 – 7 733 746 shares), each with a nominal value of CZK 800 (as at 31 December 2012 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company 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.
Shares of the Company are not traded on any public or regulated domestic or foreign market.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Other capital funds

Increase in other capital funds by TCZK 2 867 949 is attributable to contributions from the sole shareholder. The following table summarizes contributions made during 2013.

Month of contribution	Amount	Type
May 2013	947 741	in-kind
June 2013	170 324	in-kind
September 2013	66 042	in-kind
December 2013	872 252	in-kind
December 2013	85 000	in-kind
December 2013	276 590	in-kind
December 2013	450 000	*
Total contribution	**2 867 949**	--

*TCZK 450 000 represents outstanding receivable from the sole shareholder as at 31 December 2013 (note 8)

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations from their 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 43 971 (2012 – TCZK 8 321).

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 6.13

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and interest rates risk. The hedging reserve includes effective portion of the fair value changes 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 or income.

Other changes in equity

2013

Acquisition of non-controlling interest relates to acquisition of ABLON Group resulting in non-controlling interest of TCZK -7 435 recognized by the Group, refer to note 3.5.
Disposal of non-controlling interest without change in control recognized directly in equity relates to issuance of new shares in CPI Park Žďárek, a.s. Other changes in non-controlling interest relate to acquisition of additional interests in BAYTON Gama, a.s., CPI Park Žďárek, a.s. and ABLON Group. For detailed information refer to note 3.5.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

2012

Acquisition of non-controlling interest in 2012 relates to acquisition of 86,5% share in BAYTON Gama, a.s resulting in 13,5% non-controlling interest recognized by the Group.

Earnings per share

Basic earnings per share in 2013

Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2013	2 009 475	2 009 475
Net profit attributable to ordinary shareholders	2 009 475	2 009 475

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2013	7 733 746	1,0000	7 733 746
New shares issued	--	--	--
Issued ordinary shares at 31 December 2013	7 733 746		7 733 746
Weighted average number of ordinary shares at 31 December 2013			7 733 746
Earnings per share 2013 (CZK)			**259,83**

Diluted earnings per share in 2013

The Group has not issued any instruments that are potentially dilutive and therefore diluted earnings per share in 2013 is the same as basic earnings per share in 2013.

Basic earnings per share in 2012

Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 441 666	1 441 666
Net profit attributable to ordinary shareholders	**1 441 666**	**1 441 666**

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
Earnings per share 2012 (CZK)			**251,16**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Diluted earnings per share in 2012

The Group has not issued any instruments that are potentially dilutive and therefore diluted earnings per share in 2012 is the same as basic earnings per share in 2012.

6.11 Interest-bearing loans and borrowings

Non-current

	2013	2012
Loans from related parties	13 828	10 525
Loans from third parties	302 058	119 338
Bank loans (1)	26 335 191	18 100 918
Finance lease liabilities (3)	892 772	1 475 357
Bills of exchange	255 272	47 231
Total	**27 799 121**	**19 753 369**

Current

	2013	2012
Loans from related parties	37 282	1 545
Loans from third parties (2)	276 276	1 510 724
Bank loans (1)	4 022 704	3 577 023
Finance lease liabilities (3)	65 502	132 222
Bills of exchange	289 120	234 553
Total	**4 690 884**	**5 456 067**

(1) Considerable increase in bank loans is mainly attributable to subsidiaries acquired in 2013 above all to ABLON Group (TCZK 4 369 650), former "ENDURANCE" companies (TCZK 4 888 739) and VERETIX Group (TCZK 1 797 317). Increase from acquisitions was partially offset by prepayment of bank loan by CPI BYTY, a.s. totalling of TCZK 2 947 571 as a result of new bonds issued (note 6.12). Negative impact on closing balance of loans denominated in EUR represents also weakening of Czech crown in Q4 2013.

(2) Substantial decrease in current loans from third parties reflects the substitution of these current liabilities by non-current bonds issued in total value of TCZK 1 380 477.

(3) Significant decrease in finance lease liabilities primary reflects acquisition of four leasing companies (lessors) in 2013, refer to note 3.5.

Bank loans

At 31 December 2013 the Group has 113 (31 December 2012 - 79) bank loans from 20 (31 December 2012 – 18) banks. Increase represents mainly impact of acquisitions carried out in 2013.

With respect of bank loans the Group has pledged the following assets as collateral:

Investment property

The Group has pledged investment property with total value of TCZK 56 819 738 as at 31 December 2012 (2012 – TCZK 42 821 361).

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Trade receivables

Total carrying amount of pledged trade receivables represents TCZK 808 479 at 31 December 2013 (2012 – TCZK 876 432).

Bank accounts

Total amount of pledged bank accounts represents TCZK 855 665 at 31 December 2013 (2012 – 1 165 254 TCZK 1 068 203).

Shares of the subsidiaries

Balvinder, a.s, Baudry Beta, a.s., CB Property Development, a.s., Farhan, a.s., Lockhart, a.s., Brandýs Logistic, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI - Real Estate, a.s., CPI -Štupartská, a.s., CPI Alfa, a.s., OC Spektrum, s.r.o., CPI BYTY, a.s., Hraničář, a.s., Arkáda Prostějov, s.r.o., CPI Heli, s.r.o., CPI Meteor Centre, s.r.o., CPI Palmovka Office, s.r.o., HD Investments s.r.o., CPI Retails FIVE, a.s., CPI Retails FOUR, a.s., CPI Retails THREE, a.s., CPI Retails TWO, a.s. , BAYTON Alfa, a.s., BAYTON Delta, a.s., LD Praha, a.s., Český 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., CPI Jihlava Shopping, a.s., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., Marissa Gama, a.s., CPI Národní, s.r.o., Marissa West, a.s., NERONTA, a.s., MUXUM, a.s., Olomouc Office, a.s., Olomouc City Center, a.s., Pelhřimov Property Development, a.s., Příbor Property Development, s.r.o., Příkopy Property Development, a.s., Svitavy Property Alfa, a.s., Třinec Investments, s.r.o., U Svatého Michala, a.s., Best Properties South, a.s., Vigano, a.s., Vyškov Property Development, a.s., Ždírec Property Development, a.s., Kerina, a.s.,

Covenants

Bank loans are subject to a number of covenants. All covenant ratios related to non-current bank loans were met as at 31 December 2013.

Loans from third parties

Maturity analysis of loans from third parties and bank loans is as follows:

2013

	< 1 year	1-5 years	>5years	Total
Loans from third parties	276 276	213 248	88 810	578 334
Bank loans	4 022 704	20 684 257	5 650 934	30 357 895
Total	**4 298 980**	**20 897 505**	**5 739 744**	**30 936 229**

2012

	< 1 year	1-5 years	>5years	Total
Loans from third parties	1 510 724	10 734	108 604	1 630 062
Bank loans	3 577 023	12 989 798	5 111 120	21 677 941
Total	**5 087 747**	**13 000 532**	**5 219 724**	**23 308 003**

Loans from 3rd parties are unsecured.

Finance lease liabilities

The finance lease liabilities relate to investment property held in form of finance lease. Contractual interest rates are based on EURIBOR/PRIBOR plus margins.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

2013

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	79 942	317 616	727 912	1 125 470
Interest	-20 923	-84 420	-78 175	-183 518
Net present value of future minimum lease payments	**59 019**	**233 196**	**649 737**	**941 952**

2012

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	175 415	696 908	1 043 257	1 915 580
Interest	-49 336	-152 340	-124 220	-325 896
Net present value of future minimum lease payments	**126 079**	**544 568**	**919 037**	**1 589 684**

Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

2013

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	7 208	9 112	1 177	17 497
Interest	-725	-450	--	-1 175
Net present value of future minimum lease payments	**6 483**	**8 662**	**1 177**	**16 322**

2012

	Payable within 1 year	Payable 1-5 years	Total payable
Future minimum lease payments	7 315	12 773	20 088
Interest	-1 172	-1 021	-2 193
Net present value of future minimum lease payments	**6 143**	**11 752**	**17 895**

6.12 Bonds issued

	31 December 2013		**31 December 2012**	
	No. of bonds issued	**Value**	**No. of bonds issued**	**Value**
Non-current liabilities				
Proceeds from issued bonds - CPI 2021 (1)	1 215	2 430 000	1 215	2 430 000
Less: bonds owned by Group	-1 215	-2 430 000	-1 215	-2 430 000
Subtotal bonds - CPI 2021	--	--	- -	- -
Proceed from issued bonds - CPI Finance Netherlands B.V. - 2011 (2)	500	5 000 000	500	5 000 000
Less: bonds owned by Group	-40	-400 000	-40	-400 000
Subtotal bonds - CPI Finance Netherlands B.V. – 2011	460	4 600 000	460	4 600 000
Proceeds from issued bonds - CPI VAR/15 - EUR (3)	30 000	411 375	30 000	377 100

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	31 December 2013		31 December 2012	
	No. of bonds issued	Value	No. of bonds issued	Value
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-3 911	--	-6 966
Subtotal bonds - CPI VAR/15 (EUR)	30 000	407 464	30 000	370 134
Proceeds from issued bonds - CPI VAR/19 - CZK (4)	2 000 000 000	2 000 000	2 000 000 000	2 000 000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-39 577	--	-46 385
Subtotal bonds - CPI VAR/19 (CZK)	2 000 000 000	1 960 423	2 000 000 000	1 953 615
Proceeds from issued bonds - CPI VAR/19 - EUR (5)	116 000	1 590 650	116 000	1 458 120
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-29 810	--	-34 453
Subtotal bonds - CPI VAR/19 (EUR)	116 000	1 560 840	116 000	1 423 667
Proceeds from issued bonds - CPI 8,00/42 (6)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: bonds owned by Group	--	--	-180 000 000	-180 000
Less: transaction costs	--	-2 460	--	-140
Subtotal bonds - CPI 8,00/42	1 000 000 000	997 540	820 000 000	819 860
Proceeds from issued bonds - CPI ALFA (7)	279 000 000	279 000	279 000 000	279 000
Less: bonds owned by Group	--	--	--	--
Less: transaction costs		-5 580	--	-6 067
Subtotal bonds - CPI ALFA	279 000 000	273 420	279 000 000	272 933
Proceeds from issued bonds - CPI 7,00/22 (8)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: bonds owned by Group	-1 000 000 000	-1 000 000	-1 000 000 000	-1 000 000
Less: transaction costs		-1 840	--	-121
Subtotal bonds - CPI 7,00/22	--	-1 840	--	-121
Proceeds from issued bonds - CPI 7,00/22 (9)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: bonds owned by Group	-962 473 000	-962 473	-1 000 000 000	-1 000 000
Less: transaction costs		-1 840	--	-121
Subtotal bonds - CPI 7,00/22	37 527 000	35 687	--	-121
Proceeds from issued bonds - CPI 7,00/22 (10)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: bonds owned by Group	-1 000 000 000	-1 000 000	-1 000 000 000	-1 000 000
Less: transaction costs		-1 840	--	-121
Subtotal bonds - CPI 7,00/22	--	-1 840	--	-121
Proceeds from issued bonds - CPI 8,00/42 (11)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: bonds owned by Group	-968 866 627	-968 867	-1 000 000 000	-1 000 000
Less: transaction costs		-2 465	--	-141
Subtotal bonds - CPI 8,00/42	31 133 373	28 668	--	-141

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	31 December 2013		31 December 2012	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceed from issued bonds - CPI Finance Netherlands B.V. (2012) (12)	100	1 000 000	100	1 000 000
Less: bonds owned by Group	-21	-210 000	-100	-1 000 000
Subtotal bonds - CPI Finance Netherlands B.V. (2012)	79	790 000	--	--
Proceeds from issued bonds - CPI 6,05/16 (13)	150 000	1 463 017	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs		-17 415	--	--
Subtotal bonds - CPI 6,05/16 (CZK)	150 000	1 445 602	--	--
Proceeds from issued bonds - CPI BYTY 2,50/15 (14)	300 000	300 000	--	--
Proceeds from issued bonds - CPI BYTY 3,50/17 (14)	500 000	500 000	--	--
Proceeds from issued bonds - CPI BYTY 4,80/19 (14)	900 000	900 000	--	--
Proceeds from issued bonds - CPI BYTY 5,80/21 (14)	1 300 000	1 300 000	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-66 211	--	--
Subtotal bonds - CPI BYTY	3 000 000	2 933 789	--	--
Proceeds from issued bonds - CPI VAR/18 (15)	100 000	2 512 853	--	--
Less: bonds owned by Group	-10 890	-298 658	--	--
Less: transaction costs		-425	--	--
Subtotal bonds - CPI VAR/18 (EUR)	89 110	2 213 770	--	--
Proceed from issued bonds - CPI Finance Netherlands B.V. (2013) (16)	100	100 000	--	--
Less: bonds owned by Group	-91	-91 000	--	--
Subtotal bonds - CPI Finance Netherlands B.V. (2013)	9	9 000	--	--
Total non-current		**17 252 523**		**9 439 705**
Current liabilities				
Accrued interest bonds - CPI 2021		--		--
Accrued interest bonds - CPI Finance Netherlands BV (2011)		361 587		185 523
Accrued interest bonds - CPI VAR/15 (EUR)		8 161		7 149
Accrued interest bonds - CPI VAR/19 (CZK)		36 928		38 957
Accrued interest bonds - CPI VAR/19 (EUR)		30 359		27 642
Accrued interest bonds - CPI 8,00/42 (ISIN CZ0003502932)		5 556		--
Accrued interest bonds - CPI ALFA		2 856		2 856
Accrued interest bonds - CPI 7,00/22 (ISIN CZ0003502916)		--		--
Accrued interest bonds - CPI 7,00/22 (ISIN CZ0003502924)		139		--
Accrued interest bonds - CPI 7,00/22 (ISIN CZ0003502957)		--		--
Accrued interest bonds - CPI 8,00/42 (ISIN CZ0003502940)		90		4 920
Accrued interest bonds - CPI Finance Netherlands BV (2012)		--		--
Accrued interest bonds - CPI 6,05/16		23 367		--

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	31 December 2013		31 December 2012	
	No. of bonds issued	Value	No. of bonds issued	Value
Accrued interest bonds - CPI BYTY		95 334		--
Accrued interest bonds - CPI VAR/18 (EUR)		14 232		--
Accrued interest bonds - CPI Finance Netherlands BV (2013)		--		--
Total current		**578 609**		**267 047**
Total		**17 831 132**		**9 706 752**

(1) **CPI 2021,** ISIN CZ0003501496

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. In 2012, the Group bought back the remaining part of the bonds which are thereby hold entirely by the Group. 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 CPI 2021 bear the interest rate based on 6M PRIBOR + 3,5% margin. Interests are due semi-annually, on 8 February and 8 August respectively.

(2) **CPI Finance NL 5% 2011-2021**

On 15 December 2011 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 500 bearer bonds up to maximum value of TCZK 5 000 000 with a nominal value of TCZK 10 000 each. The principal of bearer bonds is due on 15 December 2021. In 2012, the Group issued bonds in total nominal value of TCZK 1 850 000.

Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(3) **CPI VAR/15 (EUR),** ISIN CZ0003501835

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 Czech National Bank 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.

(4) **CPI VAR/19 (CZK),** ISIN CZ0003501868

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 Czech National Bank 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.

(5) **CPI VAR/19 (EUR),** ISIN CZ0003501843

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 Czech National Bank 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.

(6) **CPI 8,00/42,** ISIN CZ0003502932

CPI 8,00/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1 000 000.

CPI 8,00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 5 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8,00/42, ISIN CZ0003502932).

(7) **CPI Alfa,** ISIN CZ0003502205

On 26 October 2012 the Group (through its subsidiary CPI Alfa, a.s.) issued bonds in total nominal value of TCZK 279 000. Bonds mature on 26 October 2017. The nominal value of each bond is CZK 1.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, ISIN CZ0003502205).

Bonds CPI Alfa bear the fix interest rate 5,5% p.a. Interests are due quarterly, on 26 January, on 26 April, on 26 July and on 26 October respectively.

The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

(8) **CPI 7,00/22,** ISIN CZ0003502916

CPI 7,00/22 bonds were issued on 6 December 2012. The bonds mature on 6 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1 000 000.

CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 6 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502916).

(9) **CPI 7,00/22,** ISIN CZ0003502924

CPI 7,00/22 bonds were issued on 11 December 2012. The bonds mature on 11 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1 000 000.

CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 11 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502924).

(10) **CPI 7,00/22,** ISIN CZ0003502957

CPI 7,00/22 bonds were issued on 13 December 2012. The bonds mature on 13 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1 000 000.

CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 13 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502957).

(11) **CPI 8,00/42,** ISIN CZ0003502940
CPI 8,00/42 bonds were issued on 17 December 2012. The bonds mature on 17 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1 000 000.
CPI 8,00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 17 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502940).

(12) **CPI Finance NL 5% 2012-2022**
On 15 December 2012 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 10 000 each. The total nominal value of bonds issued amounts to TCZK 1 000 000. The principal of bearer bonds is due on 15 December 2022. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

(13) **CPI 6,05/16 (CZK)** ISIN CZ0003510646
CPI 6,05/16 bonds were issued on 29 March 2013. The bonds mature on 29 March 2016. The nominal value of each bond is TCZK 10. The Group could issue bonds up to maximum value of TCZK 1 500 000 with optional issue extension up to TCZK 2 250 000.
CPI 6,05/16 bonds bear the fixed interest rate of 6,05%. 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 6,05/16, ISIN CZ0003510646). The prospectus was approved by the decision of the Czech National Bank on 27 March 2013, reference number 2013/3802/570 that came into force on 27 March 2013.
Bonds were accepted for trading at the Prague Stock Exchange.

(14) **CPI BYTY bonds**
The CPI BYTY bond issues were issued as a part of a bond programme, with an overall volume of TCZK 3 800 000, The overall volume of any bonds issued under the bond programme must not at any time exceed TCZK 3 000 000.
The separation into 4 issues enabled investors to choose the duration of their investment, from 2 to maximum 8 years, with fixed coupons ranging from 2,5 to 5,8 %.
CPI BYTY bonds were accepted for trading at Prague Stock Exchange.
The detailed breakdown of individual issues is as follows:

CPI BYTY 2,50/15 ISIN CZ0003510679
CPI BYTY 2,50/15 bonds were issued on 7 May 2013. The bonds mature on 7 May 2015. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 2,50 % per annum. Interests are due annually on 7 May.

CPI BYTY 3,50/17 ISIN CZ0003510687
CPI BYTY 3,50/17 bonds were issued on 7 May 2013. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 3,50 % per annum. Interests are due annually on 7 May.

CPI BYTY 4,80/19 ISIN CZ0003510695
CPI BYTY 4,80/19 bonds were issued on 7 May 2013. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 4,80 % per annum. Interests are due annually on 7 May.

CPI BYTY 5,80/21 ISIN CZ0003510703
CPI BYTY 5,80/21 bonds were issued on 7 May 2013. The bonds mature on 7 May 2021. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 5,80 % per annum.
Interests are due annually on 7 May.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

(15) **CPI VAR/18** ISIN CZ0003511024
CPI VAR/18 bonds were issued on 26 November 2013. The bonds mature on 26 November 2018. The nominal value of each bond is EUR 1 000 and the total nominal value of bonds issued amounts to EUR 100 000 000.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/18, ISIN CZ0003511024). Bonds CPI VAR/18 bear the interest rate based on 12M EURIBOR + 5,5% margin. Interests are due annually, on 26 November respectively.

(16) **CPI Finance NL 2013**
On 15 December 2013 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 1 000 each. The total nominal value of bonds issued amounts to TCZK 100 000.
The principal of bearer bonds is due on 15 December 2023. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

For interest expense related to bonds issued refer to note 5.11.

Covenants
Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR) are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.
Issued bonds CPI 6,05/16 are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.
Issued bonds CPI VAR/18 are subject to a number of covenants. All covenant ratios were met as at 31 December 2013

Issued bonds CPI Alfa are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.
Issued bonds CPI BYTY are subject to a number of covenants. According to bonds prospectus the covenant ratios will be calculated firstly for the year ended 31 December 2014.

6.13 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 2013 is summarized in the following table:

Non-current

	2013	**2012**
Interest rate swaps used for hedging	54 591	116 476
Other interest rate swap contracts	101 672	167 965
Total	**156 263**	**284 441**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Current

	2013	2012
Interest rate swaps used for hedging	9 806	--
Other interest rate swap contracts	24 575	48 582
Total	**34 381**	**48 582**
Total liability from derivatives	**190 644**	**333 023**

a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of TCZK 2 001 560 (2012 – TCZK 1 926 336) whereby it pays a fixed interest rate of 1,85% - 2,32% (2012 - 1,9% - 2,3%) and receives a variable rate based on 3M EURIBOR/3M PRIBOR.
The loans and interest rate swaps have the same critical terms, hedge accounting has been applied and instruments are considered as highly effective.

b) Other interest rate swap contracts

Contracts with notional amounts of TCZK 8 644 461 (2012 – TCZK 6 855 322) have fixed interest payments at an average rate of 1,56 % (2012 – 1,36%) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate this part of derivatives as hedging instruments under the 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.

6.14 Bank overdrafts

Bank overdrafts amounted to TCZK 410 094 as at 31 December 2013 (2012 – TCZK 386 790). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions of the Group.

6.15 Trade and other payables

Non-current

	2013	2012
Advances received	16 303	--
Non-financial trade and other payables	**16 303**	--
Trade payables due to third parties	2 755	3 965
Payables from acquisitions of subsidiaries (1)	--	928 343
Tenant deposits (2)	189 143	87 436
Payables from retentions (3)	156 593	219 715
Other payables due to third parties	982	70
Financial trade and other payables	**349 473**	**1 239 529**
Total	**365 776**	**1 239 529**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Current

	2013	2012
Advances received	558 816	343 482
Other tax payables (excl. CIT and VAT)	2 117	--
Deferred income/ revenue	197 533	151 344
Non-financial trade and other payables	**758 466**	**494 826**
Trade payables due to related parties	15 691	36
Trade payables due to third parties	852 527	847 261
Value added tax payables	28 960	61 851
Payables due to employees, social security and health insurance, employees income tax	25 641	34 543
Advances received from tenants (4)	308 436	311 827
Payables from acquisitions of subsidiaries and joint-ventures	93 919	162 424
Payables from receivables cession	42 495	41 718
Payables from retentions (3)	142 456	1 845
Payables to owners association	47 231	46 181
Other payables due to related parties	4 517	31 063
Other payables due to equity-accounted investees	--	--
Other payables due to third parties	33 341	10 102
Financial trade and other payables	**1 595 214**	**1 548 851**
Total	**2 353 680**	**2 043 677**

(1) In 2013 the sole shareholder has acquired these non-current payables from counterparty. Subsequently these non-current payables including interest accrued till the settlement date were offset with the receivable of TCZK 947 741 resulting from the in-kind contribution of the sole shareholder.

(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) Change in payables from retentions is mainly affected by the development and redevelopment of Group's investment property and investment property under construction portfolio. Its classification follows the conditions set in construction contracts.

(4) Advances received from tenants represent payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and final respective invoicing is performed.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.16 Provisions

	2013	2012
Balance at 1 January	**5 111**	**42 436**
Provisions created in the period	3 541	3 367
Provisions used in the period	-464	-15 681
Provisions reversed in the period	-4 580	-25 429
Provisions acquired through business combination (1)	16 246	418
Effect of movements in exchange rates	-1 124	--
Balance at 31 December	**18 730**	**5 111**

Analysis of total provisions	2013	2012
Non-current provisions	--	--
Current provisions	18 730	5 111
Total	**18 730**	**5 111**

(1) Provisions acquired through business combination represent mainly provisions of former ENDURANCE entities. These provisions relates mainly to risks regarding perpetual usufruct for operating activities in Poland.

Other provisions
Other provisions relate mainly to expected penalties to be paid for late payments of Group's liabilities.

Provisions have not been discounted as the Group expects their utilization in 2014 and classifies them as current at 31 December 2013 and at 31 December 2012.

6.17 Operating leases

The Group leases out its investment property under operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	2013	2012
Less than one year	3 743 746	2 413 513
Between one and five years	11 202 057	7 788 949
More than five years	9 148 786	6 750 637
Total	**24 094 589**	**16 953 099**

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.

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)

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. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.
Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.
The Group limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Group a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Group’s tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Group’s exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Group maintains the creditor management database, creates the segmented reports and performs tenant’s ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

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.

The Group’s maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The following tables present financial assets as of 31 December 2013 reflecting their classification based on its ageing structure and impairment if applicable:

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Credit risk profile at 31 December 2013:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	3 005 919	--	--	3 005 919
Trade and other receivables	2 737 463	986 511	350 988	3 723 974
Loans provided	4 965 888	459 963	63 216	5 425 851
Other investments	49 477	--	--	49 477
Total	**10 758 747**	**1 446 474**	**414 204**	**12 205 221**

Breakdown of overdue financial assets which are not impaired at 31 December 2013:

	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	587 542	144 961	82 777	50 645	120 586	986 511
Loans provided	--	326 595	302	36 766	96 300	459 963
Total	**587 542**	**471 556**	**83 079**	**87 411**	**216 886**	**1 446 474**

Credit risk profile at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	3 777 504	--	--	3 777 504
Trade and other receivables	1 831 070	932 651	356 881	3 120 602
Loans provided	6 524 497	122 577	149 294	6 796 368
Other investments	11 768	--	--	11 768
Total	**12 144 839**	**1 055 228**	**506 175**	**13 706 242**

Breakdown of overdue financial assets which are not impaired at 31 December 2012:

	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	71 811	42 763	627 635	48 729	141 713	932 651
Loans provided	93 966	1 633	2 802	10 048	14 128	122 577
Total	**165 777**	**44 396**	**630 437**	**58 777**	**155 841**	**1 055 228**

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.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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 summarizes 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 2013

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
Loans from third parties	578 334	156 083	29 718	94 324	190 457	126 699	597 281
Loans from related parties	51 110	3 542	37 248	1 001	3 004	14 829	59 624
Bank loans incl. overdrafts	30 767 989	1 901 114	2 310 775	4 194 650	19 044 757	7 285 271	34 736 567
Bonds issued	17 831 132	831 767	759 475	1 698 042	7 009 576	15 344 790	25 643 650
Finance lease liabilities	958 274	18 051	49 546	61 493	188 585	820 411	1 138 086
Liabilities from derivatives	190 644	83 824	44 573	29 314	30 167	2 766	190 644
Trade and other payables	2 719 456	1 439 122	914 557	92 896	142 537	130 343	2 719 455
Bills of exchange	544 392	117 676	171 444	255 178	94	--	544 392
Total	**53 641 331**	**4 551 179**	**4 317 336**	**6 426 898**	**26 609 177**	**23 725 109**	**65 629 699**

At 31 December 2012

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans from third parties	1 630 062	958 152	592 823	2 385	6 712	168 628	1 728 700
Loans from related parties	12 070	1 729	553	11 262	--	--	13 544
Bank loans incl. overdrafts	22 064 731	1 205 445	2 850 036	938 215	13 548 366	6 401 832	24 943 894
Bonds issued	9 706 752	411 702	433 965	578 620	2 339 392	11 898 822	15 662 501
Finance lease liabilities	1 607 579	34 883	100 395	137 310	471 391	1 217 194	1 961 173
Liabilities from derivatives	333 023	--	48 582	24 651	199 733	60 057	333 023
Trade and other payables	3 283 206	1 491 843	551 843	52 800	163 208	1 023 521	3 283 215
Bills of exchange	281 784	149 011	85 542	47 137	94	--	281 784
Total	**38 919 207**	**4 252 765**	**4 663 739**	**1 792 380**	**16 728 896**	**20 770 054**	**48 207 834**

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

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 or could cause future cash flows related to financial instruments to fluctuate.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters 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 a limited manner 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 most Group companies 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.

2013

	Currency	Amount in original currency
Cash and cash equivalents	TEUR	14 974
	TUSD	2
	TGBP	197
	TPLN	1
	THUF	109
Trade and other receivables	TEUR	48 233
Loans provided	TEUR	52 933
Trade and other payables	TEUR	-15 527
	TUSD	-38
Interest bearing loans and borrowings	TEUR	-320 740
Bonds	TEUR	-174 012
Liabilities from derivatives	TEUR	-1 745
Net position	**TEUR**	**-395 884**
Net position	**TUSD**	**-36**
Net position	**TGBP**	**197**
Net position	**TPLN**	**1**
Net position	**THUF**	**109**

2012

	Currency	Amount in original currency
Cash and cash equivalents	TEUR	10 885
	TUSD	2
Trade and other receivables	TEUR	5 108
Loans provided	TEUR	88 639
Trade and other payables	TEUR	-4 505
	TUSD	-18
Interest bearing loans and borrowings	TEUR	-216 900
Bonds issued	TEUR	-73 540
Liabilities from derivatives	TEUR	-3 761
Net position	**TEUR**	**-194 074**
Net position	**TUSD**	**-16**

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 accounted for above transactions as a cash flow hedges with the application of hedge accounting. The hedge accounting is applicable for the whole accounting period ending 31 December 2013. 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 expected collection from leasing contract designated as hedged item	In TEUR
within 1 year	16 954
1-2 years	15 957
2-5 years	43 706
5-10 years	69 783
more than 10 years	81 435
Total	**227 835**

Sensitivity analysis – exposure to currency risk

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR, USD, GBP, PLN or HUF would have the below effect to profit/ (loss) or equity of the Group providing all other variables remaining constant:

2013

		Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	14 974	410 662	451 728	41 066	369 596	-41 066
	TUSD	2	40	44	4	36	-4
	TGBP	197	6 483	7 131	648	5 835	-648
	TPLN	1	7	8	1	6	-1
	THUF	109	10	11	1	9	-1
Trade and other receivables	TEUR	48 233	1 322 790	1 455 069	132 279	1 190 511	-132 279
Loans provided	TEUR	52 933	1 451 688	1 596 857	145 169	1 306 519	-145 169
Trade and other payables	TEUR	-15 527	-425 828	-468 411	-42 583	-383 245	42 583
	TUSD	-38	-756	-832	-76	-680	76
Interest bearing loans and borrowings	TEUR	-320 740	-8 796 295	-9 675 925	-879 630	-7 916 666	879 630
Other bonds issued	TEUR	-174 012	-4 772 279	-5 249 507	-477 228	-4 295 051	477 228
Liabilities from derivatives	TEUR	-1 745	-47 857	-52 643	-4 786	-43 071	4 786
Net exposure to currency risk	**TEUR**	**-395 884**	**-10 857 119**	**-11 942 832**	**-1 085 713**	**-9 771 407**	**1 085 713**
Net exposure to currency risk	**TUSD**	**-36**	**-716**	**-788**	**-72**	**-644**	**72**
Net exposure to currency risk	**TGBP**	**197**	**6 483**	**7 131**	**648**	**5 835**	**-648**
Net exposure to currency risk	**TPLN**	**1**	**7**	**8**	**1**	**6**	**-1**
Net exposure to currency risk	**THUF**	**109**	**10**	**11**	**1**	**9**	**-1**
Impact on profit/loss	**TCZK**				**-396 848**		**396 848**
Impact on equity	**TCZK**				**-688 285**		**688 285**

2012

	Original currency		TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	10 885	273 649	301 014	27 365	246 284	-27 365
	TUSD	2	38	42	4	34	-4
Trade and other receivables	TEUR	5 108	128 415	141 257	12 842	115 574	-12 842
Loans provided	TEUR	88 639	2 228 384	2 451 222	222 838	2 005 546	-222 838
Trade and other payables	TEUR	-4 505	-113 256	-124 582	-11 326	-101 930	11 326
	TUSD	-18	-343	-377	-34	-309	34
Interest bearing loans and borrowings	TEUR	-216 900	-5 452 866	-5 998 153	-545 287	-4 907 579	545 287
Bonds issued	TEUR	-73 540	-1 848 796	-2 033 676	-184 880	-1 663 916	184 880
Liabilities from derivatives	TEUR	-3 761	-94 552	-104 007	-9 455	-85 097	9 455
Net exposure to currency risk	**TEUR**	**-194 074**	**-4 879 022**	**-5 366 924**	**-487 903**	**-4 391 120**	**487 903**
Net exposure to currency risk	**TUSD**	**-16**	**-305**	**-336**	**-30**	**-275**	**30**
Impact on profit/loss	**TCZK**				**-86 579**		**86 579**
Impact on equity	**TCZK**				**-401 294**		**401 294**

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.

b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.6 for financial assets and under notes 6.11 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 and PRIBOR 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, and no interest-bearing financial instrument is measured at fair value through profit and loss 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 6.13). Bonds issued comprise both fixed and variable rate instruments.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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 100 basis points 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 2012.

A 100 basis points change in the interest rate would have the below effect to profit/ (loss) or equity of the Group providing all other variables remaining constant:

2013

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	4,03%	20 323 473	818 743
Bonds issued with variable interest rate	6,60%	6 216 220	410 345
Total		**26 539 693**	**1 229 089**

2013

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	5,03%	1 021 978	-203 235	3,03%	615 509	203 235
Bonds issued with variable interest rate	7,60%	472 508	-62 162	5,60%	348 183	62 162
Total		**1 494 486**	**-265 397**		**963 692**	**265 397**

2012

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	4,01%	22 715 286	910 883
Bonds issued with variable interest rate	5,90%	8 435 220	497 678
Total		**31 150 506**	**1 408 561**

2012

	Increase by 10%	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	4,41%	1 001 971	- 91 088	3,61%	819 795	91 088
Bonds issued with variable interest rate	6,49%	547 446	-49 768	5,31%	447 910	49 768
Total		**1 549 417**	**- 140 856**		**1 267 705**	**140 856**

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Sensitivity analysis – exposure to interest rate risk for fixed rate instruments
The Group recognized all financial assets and liabilities (except derivatives) at fair value. No fair value adjustments are recorded through the profit or loss.

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 re-price.

2013

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans from related parties	7,24%	51 110	10 562	--	40 548
Loans from third parties (1)	7,24%	578 334	--	--	578 334
Bank overdraft	7,00%	410 094	--	--	410 094
Bank loans	4,09%	30 357 895	28 972 560	110 507	1 274 828
Finance lease liabilities	2,78%	958 274	712 677	229 275	16 322
Bonds issued (2)	5,81%	17 831 132	--	6 232 177	11 598 955
Total		**50 186 839**	**29 695 799**	**6 571 959**	**13 919 081**

(1) Unpaid interests represent TCZK 251 218 (fixed interest rate).
(2) Including unpaid interest of TCZK 575 609.

2012

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans from related parties	7,01%	12 070	--	--	12 070
Loans from third parties (1)	7,49%	1 630 062	--	--	1 630 062
Bank overdraft	6,92%	386 790	9 709	--	377 081
Bank loans	4,03%	21 677 941	21 445 139	118 902	113 900
Finance lease liabilities	3,73%	1 607 579	964 407	625 277	17 895
Bonds issued (2)	6,18%	9 706 752	--	8 606 687	1 100 065
Total		**35 021 194**	**22 419 255**	**9 350 866**	**3 251 073**

(1) Unpaid interests represent TCZK 184 603 (fixed interest rate).
(2) Including unpaid interest of TCZK 267 047.

c) Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 6.1.3

7.4 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.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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 and by bonds issued. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.
No changes were made in the objectives, policies or processes during the year ended 31 December 2013.
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 2013 and at 31 December 2012 were as follows:

	2013	2012
Debt	59 855 316	43 747 449
Equity	25 752 089	21 020 712
Total	**232%**	**208%**

7.5 Financial instruments and fair values

Categories of financial instruments

Financial assets in the Group comprise non-current and current loans provided, debentures, trade and other receivables and cash and cash and cash equivalents, which are all classified as loans and receivables.
Financial liabilities in the Group comprise interest bearing loans and borrowings, bonds issued, bank overdraft, and trade and other payables, which are classified as other financial liabilities. Financial liabilities also include interest rate swaps which are categorized as derivatives as fair value through profit or loss (non hedge) and interest rate swaps used as hedging instruments.

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed.

	Fair value hierarchy (Level)	Carrying amount		Fair value	
		2013	2012	2013	2012
Financial assets					
Loans provided	Level 3	5 425 851	6 647 074	5 581 964	6 647 074
Debentures	Level 3	37 918	--	41 676	--
		5 463 769	**6 647 074**	**5 623 640**	**6 647 074**
Financial liabilities					
Bonds issued	Level 3	17 831 132	9 706 752	17 357 607	9 647 382
		17 831 132	**9 706 752**	**17 357 607**	**9 647 382**

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Fair value hierarchy

A number of the Group´s accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
(2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
(3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 6.1.1 regarding the fair value of investment property and in note 6.2.1 regarding the fair value of investment property under development.

As at 31 December 2013, the Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
None	--	--	--	--
Liabilities measured at fair value				
Derivative financial liabilities	--	190 644	--	190 644

As at 31 December 2012, the Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
None	--	--	--	--
Liabilities measured at fair value				
Liabilities from derivatives	--	333 023	--	333 023

Valuation technique used for measurement of fair value of derivatives

Liabilities from derivative are measured by discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

8 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.

Key management personnel and members of Board of Directors

The remuneration of key management personnel and members of Board of Directors are summarized in following table.

	2013	2012
Remuneration paid to key management personnel and members of Board of Directors	17 929	40 246
Total	**17 929**	**40 246**

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

	2013	2012
Balances at 31 December		
Loans provided	6 178	31 044
Trade receivables	8 922	252
Other receivables (1)	450 644	4 379
Loans received	22 125	--
Trade payables	10	36
Other payables	4 469	31 015
Advances received	3 848	
Transactions		
Interest income	63	26 252
Bonds expense	--	614

(1) Other receivables include receivable of TCZK 450 000 from sole shareholder regarding capital contribution (note 6.10)

Joint ventures

	2013	2012
Balances at 31 December		
Loans provided	--	286 576
Trade receivables	--	121
Transactions		
Sale of services	--	4 700
Interest income	--	13 495

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Other related parties

During the year, Group companies entered into the following transactions with other related parties:

	2013	2012
Entities over which the sole shareholder has control		
Trade receivables	105	250
Loans provided	22 518	125 739
Loans received	15 129	12 070
Interest income	--	2 547
Interest expense	598	644
Sale of services	96	120
Entities over which the sole shareholder has significant influence		
Trade receivables	18 709	956
Other receivables	266 132	611 245
Loans provided	12 910	215 696
Trade payables	12 116	--
Service charge income	294	--
Rental Income	1 110	--
Interest income	6 646	7 153
Other finance income	337	--
Sale of services	--	14
Accounting and other services (based on mandate contracts)	55	--
Letting fee	159	--
Service charge expenses	37	--
Close family members/entities controlled by close family members		
Trade receivables	5 081	1 429
Other receivables	3 144	--
Loans provided (1)	3 875 167	2 324 352
Trade payables	3 565	--
Other payables	48	48
Loans received	13 856	--
Interest income (1)	315 256	95 744
Operating revenues	16 041	--
Interest expense	1 793	10 845
Fees and commissions expense	3 565	--

(1) Loans provided include mainly five loans provided to family members with interest rates between 5%-12%. Loans are repayable in 2014, 2017 and in 2022. Loans are not secured.

Acquisitions from related parties

In 2013 the Group has acquired from entities controlled by close family members of the sole shareholder nine ENDURANCE Companies for total consideration paid of TCZK 1 688 846 (refer to note 3.5).

9 Contingent liabilities

9.1 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.

10 Capital commitments

The Group has capital commitments of TCZK 979 155 (2012 – TCZK 977 687) in respect of capital expenditures contracted for at the date of the statement of financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

11 Subsequent events

11.1 Acquisitions of subsidiaries

Pelhřimov Property Development, a.s.

On 2 April 2014, the Group legally acquired 100% stake in Pelhřimov Property Development, a.s. (note 3.5). The principal reason for the acquisition was to acquire Retail Park Pelhřimov which located in the commercial zone in north – western part of the town. It offers more than 2,400 sqm for retail accommodation. The purchase price was TCZK 2 000.

The preliminary fair value of the net assets acquired is as follows:

	Pelhřimov Property Development, a.s.
Investment property	80 820
Loans provided	1 028
Trade and other receivables	2 029
Cash and cash equivalents	9 528
Identifiable acquired assets	**93 405**
Non-current interest-bearing loans and borrowings	-55 191
Other non-current liabilities	-2 460
Deferred tax liability	-1 855
Current interest-bearing loans and borrowings	-29 631
Trade and other payables	-2 019
Identifiable acquired liabilities	**-91 156**
Net ident. assets of subsidiary	**2 249**

At the date of authorization of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

Kouge s.r.o.

On 11 April 2014, the Group acquired 100% stake in Kouge s.r.o. The principal reason for the acquisition was to extend Group's retail portfolio as the acquired entity owns four supermarkets in Czech Republic rented mainly to Billa and Penny Market retail chains.
The preliminary purchase price is TCZK 69 488.

The preliminary book values of the net assets acquired is as follows:

	Kouge s.r.o.
Investment property	141 035
Trade and other receivables	1 744
Cash and cash equivalents	1 821
Identifiable acquired assets	**144 600**
Non-current interest-bearing loans and borrowings	-77 020
Other non-current liabilities	-73 950
Trade payables	-1 162
Identifiable acquired liabilities	**-152 132**
Net ident. assets of subsidiary	**-7 532**

At the date of authorization of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

11.2 Changes in Board of Directors

Kristína Magdolenová was appointed as a vice - chairman of Board of Directors with effective date 15 February 2014, the change in Commercial register was made on 11 March 2014.

Marek Stubley was removed as a vice - chairman of Board of Directors on 14 February 2014, the change in Commercial register was made on 11 March 2014.

11.3 Bonds issued

CPI Retail Portfolio I 5,00/2019, ISIN CZ0003511164
The first tranche of CPI Retail Portfolio I 5,00/2019 bonds, amounting to TCZK 665 860 was issued on 25 April 2014. The bonds mature on 25 April 2019. The nominal value of each bond is CZK 10 000. The Group could issue bonds up to maximum value of TCZK 1 125 000. CPI Retail Portfolio I 5,00/2019 bonds bear fixed interest of 5% per annum. Interests are due semi-annually on 25 April and 25 October. Bonds are issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI Retail Portfolio I 5,00/2019, ISIN CZ0003511164).

Prague, 30 April 2014

Radovan Vítek
Chairman of the Board of Directors

Kristína Magdolenová
Vice-chairman of the Board of Directors

Czech Property Investments, a.s.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

CPI Group

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Investment in subsidiaries and jointly controlled entities	3.1	16 269 945	15 247 707
Investment property	5.1	--	63 420
Property, plant and equipment	5.2	3 023	4 209
Intangible assets and goodwill	5.3	7 771	7 596
Other investments	5.4	49 475	11 766
Loans provided	5.5	11 301 832	9 129 118
Trade and other receivables	5.6	6 142	867 005
Total non-current assets		**27 638 188**	**25 330 821**
Current assets			
Current income tax assets	4.11	5 438	4 589
Trade and other receivables	5.6	5 727 276	1 312 233
Other investments	5.4	209	--
Loans provided	5.5	8 201 232	8 383 647
Cash and cash equivalents	5.7	118 090	1 678 023
Total current assets		**14 052 245**	**11 378 492**
TOTAL ASSETS		**41 690 433**	**36 709 313**
Share capital		6 186 997	6 186 997
Share premium		575 942	575 942
Revaluation reserve		1 241 543	869 263
Other reserves		5 299 317	2 431 368
Retained earnings		3 122 648	2 773 897
Total equity attributable to owners of the Company	5.8	**16 426 447**	**12 837 467**
Non-controlling interest		--	--
Total equity		**16 426 447**	**12 837 467**

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2013	31 December 2012
Non-current liabilities			
Interest-bearing loans and borrowings	5.9	9 455 781	8 584 945
Bonds issued	5.10	13 221 654	9 590 772
Trade and other payables	5.12	--	928 343
Deferred tax liabilities	4.11	99 667	3 261
Total non-current liabilities		**22 777 102**	**19 107 321**
Current liabilities			
Bank overdraft	5.11	410 094	377 081
Interest-bearing loans and borrowings	5.9	1 064 650	2 505 286
Bonds issued	5.10	245 966	207 082
Trade and other payables	5.12	766 170	1 675 076
Provisions		4	--
Total current liabilities		**2 486 884**	**4 764 525**
TOTAL EQUITY AND LIABILITIES		**41 690 433**	**36 709 313**

Notes to financial statements on pages 10 to 86 are integral part of these financial statements.

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2013	31 December 2012
Revenues	4.1	**17 291**	**18 373**
Administrative expenses	4.2	-28 026	-34 177
Net valuation loss on investment property	4.3	--	-4 681
Gain on the disposal of investment property	4.4	2 663	--
Loss on the disposal of trading property	4.5	--	-21
Impairment of assets	4.6	-221 814	-471 463
Other income	4.7	11 901	10 599
Other expenses	4.8	-14 247	-19 897
Results from operating activities		**-232 232**	**-501 267**
Finance income	4.9	2 095 885	2 731 445
Finance costs	4.10	-1 504 575	-1 273 774
Net finance income		**591 310**	**1 457 671**
Profit before income tax		**359 078**	**956 404**
Income tax income / (expense)	4.11	-10 327	69 145
Profit from continuing operations		**348 751**	**1 025 549**
Discontinued operation			
Profit for the period		**348 751**	**1 025 549**
Other comprehensive income for the period, net of tax		--	--
Total comprehensive income for the period		**348 751**	**1 025 549**
Profit attributable to:			
Owners of the Company		348 751	1 025 549
Non-controlling interest		--	--
Profit for the period		348 751	1 025 549
Total comprehensive income attributable to:			
Owners of the Company		348 751	1 025 549
Non-controlling interest		--	--
Total comprehensive income for the period		348 751	1 025 549

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		For the year ended	
	Note	31 December 2013	31 December 2012
Earnings per share			
Basic earnings per share (CZK)	5.8	45,09	178,67
Diluted earnings per share (CZK)	5.8	45,09	178,67
Earnings per share - continuing operations			
Basic earnings per share (CZK)	5.8	45,09	178,67
Diluted earnings per share (CZK)	5.8	45,09	178,67

Notes to financial statements on pages 10 to 86 are integral part of these financial statements.

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2013	31 December 2012
Operating activities:			
Profit before income tax		**359 078**	**956 404**
Adjusted by:			
Net valuation (gain)	4.3	--	4 681
Gain on the disposal of investment property	4.4	-2 663	--
Depreciation / amortisation of assets	5.2 & 5.3	3 336	2 677
Impairment of assets / reversal of impairment of assets	4.6	221 814	471 463
Gain on the disposal of property, plant and equipment	4.5	--	21
Net finance costs	4.9 & 4.10	-591 310	-1 457 671
Exchange rate differences		-289 798	-17 969
Other non-cash adjustments		--	--
Profit before changes in working capital and provisions		**-299 543**	**-40 394**
Changes in trade and other receivables		-546 353	1 033 729
Changes in trading property - inventory		-1	182
Changes in trade and other payables		561 333	1 122 067
Changes in provisions		4	-448
Income tax paid		-2 096	-17
Net cash flows from operating activities:		**-286 656**	**2 115 119**
Investing activities:			
Acquisition of investment in subsidiaries, jointly controlled entity and associates	3.2	-1 185 029	-1 949 524
Cash acquired as a result of merger		--	266
Acquisition of property, plant and equipment	5.2	-55	-438
Acquisition of intangible assets	5.3	-2 301	-2 056
Acquisition of other investments	5.4	-37 709	--
Proceeds from sale of property, plant and equipment		9 233	857
Other loans (provided) / repaid	4.9	-3 476 010	-4 319 314
Dividends received		553 266	14 000
Interest received		590 081	603 616
Net cash flows from investing activities		**-3 548 524**	**-5 652 593**

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF CASH FLOWS (CONTINUED)

		For the year ended	
Financing activities:	**Note**	**31 December 2013**	**31 December 2012**
Proceeds from bonds issued	5.10	3 758 030	8 096 772
Other capital contributions		--	789 938
Drawings / (repayments) of loans and borrowings		-590 471	-3 001 616
Interest paid		-892 312	-671 058
Net cash flows from financing activities		**2 275 247**	**5 214 036**
Net increase in cash and cash equivalents		**-1 559 933**	**1 676 562**
Cash and cash equivalents at beginning of the year	5.7	**1 678 023**	**18 822**
Cash and cash equivalents at the end of the year	5.7	**118 090**	**1 678 023**

Notes to financial statements on pages 10 to 86 are integral part of these financial statements.

Financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Total equity
Balance at 1 January 2013		**6 186 997**	**575 942**	**30 810**	**-42 151**	**869 263**	**2 442 709**	**2 773 897**	**12 837 467**	**12 837 467**
Comprehensive income for the period										
Profit fof the period		--	--	--	--	--	--	348 751	348 751	348 751
Total other comprehensive income/ (expense)		--	--	--	--	--	--	--	--	--
Total comprehensive income for the period		--	--	--	--	--	--	348 751	348 751	348 751
Transactions with owners of the Company, recognised directly in equity										
Owner's contribution	5.8	--	--	--	--	--	2 867 949	--	2 867 949	2 867 949
Total transactions with owners of the Company		--	--	--	--	--	2 867 949	--	2 867 949	2 867 949
Other movements										
Effect resulting from non-interest loans provided from subsidiaries	5.8	--	--	--	--	372 280	--	--	372 280	372 280
Total other movements		--	--	--	--	372 280	--	--	372 280	372 280
Balance at 31 December 2013		**6 186 997**	**575 942**	**30 810**	**-42 151**	**1 241 543**	**5 310 658**	**3 122 648**	**16 426 447**	**16 426 447**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Total equity
Balance at 1 January 2012		**4 428 140**	**122 800**	**30 810**	--	**465 941**	**1 155 667**	**1 685 260**	**7 888 618**	**7 888 618**
Comprehensive income for the period										
Profit for the period		--	--	--	--	--	--	1 025 549	1 025 549	1 025 549
Total other comprehensive income/ (expense)		--	--	--	--	--	--	--	--	--
Total comprehensive income for the period		**--**	**--**	**--**	**--**	**--**	**--**	**1 025 549**	**1 025 549**	**1 025 549**
Transactions with owners of the Company, recognised directly in equity										
Issue of ordinary shares	5.8	1 758 857	453 142	--	--	--	--	--	2 211 999	2 211 999
Owner's contribution	5.8	--	--	--	--	--	1 287 042	--	1 287 042	1 287 042
Total transactions with owners of the Company		**1 758 857**	**453 142**	**--**	**--**	**--**	**1 287 042**	**--**	**3 499 041**	**3 499 041**
Other movements										
Effect of merger	3.5	--	--	--	-42 151	--	--	63 088	20 937	20 937
Effect resulting from non-interest loans granted from subsidiaries	5.8	--	--	--	--	403 322	--	--	403 322	403 322
Total other movements		**--**	**--**	**--**	**-42 151**	**403 322**	**--**	**63 088**	**424 259**	**424 259**
Balance at 31 December 2012		**6 186 997**	**575 942**	**30 810**	**-42 151**	**869 263**	**2 442 709**	**2 773 897**	**12 837 467**	**12 837 467**

Notes to financial statements on pages 10 to 86 are integral part of these financial statements.

Notes to financial statements for the year ended 31 December 2013 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 registration number of the Company is 427 16 161.

The address of its registered office is Václavské náměstí 1601/47, Praha 1, 110 00.

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 sole shareholder of the Company is Radovan Vítek, Minská 41, Brno, 616 00.

Management

as at 31 December 2013

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

Due to changes in the Company´s management from 1 January 2014 till the date of the Board of Directors meeting, these financial statements has been authorized by newly appointed members of Board of Directors. For the subsequent events refer to note 9.3.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

as at 31 December 2012

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

Due to changes in the Company´s management from 1 January 2014 till the date of the Board of Directors meeting, these financial statements has been authorized by newly appointed members of Board of Directors. For the subsequent events refer to note 9.

Employees

The Company does not employ any employees at 31 December 2013 (at 31 December 2012 – 0 employees).

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation of financial statements

a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on 30 April 2014.

b) New standards

For the preparation of these financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Company).
The nature and the impact of each new standard/amendment are described below:

- IAS 1, Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Company's financial position or results of operations.

- IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. The application of IFRS 13 has not materially impacted the fair value measurements of the Company. IFRS 13 also requires specific disclosures of fair values. The Company provides these disclosures in note 6.5.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.
The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

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

to address the impairment of financial assets and hedge accounting. IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted.

- IFRS 10 Consolidated Financial Statements – IFRS 10 (2011) introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

- IFRS 11 Joint Arrangements – IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

- IFRS 12 Disclosures of interests in other entities – IFRS 12 includes the disclosure requirements for all forms of interests in other entities.

- IAS 36 Impairment of Assets – The amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

c) 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, which are measured as indicate below at each reporting date:

- 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 assumed in a business combinations is measured at fair value.

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d) 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.

e) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS as adopted by European Union 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 associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances. The actual results may differ from these 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 financial statements is included in the following notes:

- Note 2.2(m) – Lease classification
- Note 8 – Contingent consideration

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5.5 and 5.8 – Amortisation of interest free loan
- Note 3.1 and 4.6 – Valuation of investment in subsidiaries

2.2 Significant accounting policies

Except for the changes described above in note 2.1 (b) New standards, 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 recognized 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 recognized 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).

c) Investment property

Investment property is property held either to earn rental revenue or for capital appreciation or 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 labor, 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 2013 and 2012 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)).

Leases other than finance 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 labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, 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	2013	2012
Property	30–50 years	30–50 years
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 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	**2013**	**2012**
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

Amortisation methods, useful lives and residual values 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 labor, any other costs directly attributable to bringing the trading property - inventory to a condition for their intended use and capitalised borrowing costs. Deemed costs of trading property – inventory reclassified from existing investment property is 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 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.

Loans provided

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 (1 year) 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 cash 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.

The Company treats cash deposited as a security in accordance with bank loan covenants as cash and cash equivalents for cash flow purposes.

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.

(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 to the net carrying amount of the financial liability.

Interest-bearing loans, borrowings, 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.

The Company is utilizing commonly bank overdrafts for financing their short term liabilities.

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.

Transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds, net of transaction costs. Bond transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges. Transaction costs are recognized in profit or loss on an accrual basis using the effective interest method.

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.

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 2.2.(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 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.

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 or 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. 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)) Rental revenue

Rental revenue 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 revenue, 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 presented net in the statement of comprehensive income. They are recorded based on issued invoices and estimates.

(iii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(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 expenses are recognised as it accrues in profit or loss.

(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.

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 (losses) 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 finance lease, 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 (gains) previously recognised in other comprehensive income.

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 expense 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 the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized 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.

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 relating to transactions with any of the Company’s other components
- whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

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 expenditure 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, 100% (2012 - 100 %) of revenues are realized in the Czech Republic.
All non-financial assets are located in the Czech Republic.

r) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

(I) has control or joint control over the reporting entity;

(II) has significant influence over the reporting entity; or

(III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

(I) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(II) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(III) Both entities are joint ventures of the same third party.

(IV) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(V) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(VI) The entity is controlled or jointly controlled by a person identified in (a).

(VII) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

3 Investments in subsidiaries and jointly controlled entities

As at 31 December 2013 the Company undertakes control in 91 subsidiaries (2012 - 67 subsidiaries), further referred to as the "CPI Group" or "Group".

3.1 Investments in subsidiaries and jointly controlled entities at 31 December 2013

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Balvinder, a.s.	100,00%	72 000	-9 409	62 591	62 591
Baudry, a.s.	100,00%	34 794	-541	34 253	34 253
BAYTON Beta, a.s.	100,00%	87 460	--	87 460	102 297
BAYTON Gama, a.s.	86,54%	542 524	--	542 524	673 080
Beroun Property Alfa, a.s.	100,00%	2 000	-82	1 918	1 918
Beroun Property Development, a.s.	100,00%	37 000	--	37 000	86 230
BPT Development, a.s.	100,00%	2 230	-2 230	--	-11 007
Brandýs Logistic, a.s.	100,00%	52 000	--	52 000	169 279
Březiněves, a.s.	100,00%	2 427	-2 427	--	-29 998
Camuzzi, a.s.	100,00%	42 000	--	42 000	168 040
Carpenter Invest, a.s.	100,00%	113 558	-22 894	90 664	90 664
Conradian, a.s.	100,00%	175 000	-157 585	17 415	17 415
CPI - Bor, a.s.	100,00%	182 649	-3 408	179 241	179 241
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-24 568
CPI - Land Development, a.s.	100,00%	1 500 000	-120 759	1 379 241	1 379 241
CPI - Orlová, a.s.	100,00%	30 000	-10 364	19 636	19 636
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	557 500
CPI - Štupartská, a.s.	100,00%	101 000	-82 087	18 913	18 913
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	123 262
CPI Alfa, a.s.	100,00%	27 000	--	27 000	40 566
CPI Beta, a.s.	100,00%	2 000	--	2 000	4 066
CPI BYTY, a.s.	100,00%	184 767	--	184 767	3 336 093
CPI City Center ÚL, a.s.	100,00%	25 414	--	25 414	32 306
CPI CYPRUS LIMITED	100,00%	1 848	-131	1 717	1 717
CPI Delta, a.s.	100,00%	89 000	--	89 000	104 723
CPI East, s.r.o.	100,00%	200	-110	90	90
CPI Epsilon, a.s.	100,00%	2 000	-19	1 981	1 981
CPI Facility Slovakia, a.s.	100,00%	609	--	609	2 804
CPI FINANCE IRELAND LIMITED	100,00%	9 001 500	-6 264	8 995 236	8 995 236
CPI Finance Netherlands B.V.	100,00%	48 428	--	48 428	788 702
CPI Heli, s.r.o.	100,00%	200	-200	--	-6 741
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	472 191
CPI Lambda, a.s.	100,00%	2 000	-18	1 982	1 982
CPI Management, s.r.o.	100,00%	200	--	200	2 007
CPI North, s.r.o.	100,00%	200	-21	179	179
CPI Park Mlýnec, a.s.	100,00%	139 900	-74 180	65 720	65 720

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
CPI Property, s.r.o.	100,00%	200	--	200	1 843
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 544 282
CPI Retails FIVE, a.s.	100,00%	827	--	827	32 561
CPI Retails FOUR, a.s.	100,00%	1 600	--	1 600	39 836
CPI Retails ONE, a.s.	100,00%	49 000	-16 223	32 777	32 777
CPI Retails THREE, a.s.	100,00%	695	-695	--	-5 574
CPI Retails TWO, a.s.	100,00%	43 000	--	43 000	52 930
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 960
CPI South, s.r.o.	100,00%	51 291	-234	51 057	51 057
CPI West, s.r.o.	100,00%	200	--	200	2 769
CURITIBA, a.s.	100,00%	85 000	--	85 000	107 555
Družstvo Land	99,96%	934 026	--	934 026	1 178 422
ELAMOR, a.s.	100,00%	672	-139	533	533
EMH North, s.r.o.	100,00%	216	-216	--	-40 079
EMH South, s.r.o.	100,00%	216	-216	--	-1 241
EMH West, s.r.o.	100,00%	216	-216	--	-2 067
FL Property Development, a.s.	100,00%	12 000	--	12 000	17 146
IGY2 CB, a.s.	100,00%	35 000	-6 074	28 926	28 958
Kerina, a.s.	100,00%	87 000	-87 000	--	-36 837
Liongate, a.s.	100,00%	4 500	-2 272	2 228	2 228
Malerba, a.s.	100,00%	100 000	--	100 000	1 828 186
Marissa, a.s.	100,00%	339 660	--	339 660	341 295
Marissa Lambda, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa North, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa Omega, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa Omikrón, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa Sigma, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa South, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa Tau, a.s.	100,00%	2 091	-5	2 086	2 086
Marissa Théta, a.s.	100,00%	2 092	-5	2 087	2 087
Marissa Yellow, a.s.	100,00%	2 089	-4	2 085	2 085
Marissa Ypsilon, a.s.	100,00%	2 091	-5	2 086	2 086
MUXUM, a.s.	100,00%	258 326	-54 605	203 721	203 721
Olomouc City Center, a.s.	99,91%	140 655	-85 936	54 719	54 719
Olomouc Office, a.s.	100,00%	2 000	--	2 000	59 988
Prague Property Development, s.r.o.	100,00%	38 771	--	38 771	94 757
Příbor Property Development, s.r.o.	100,00%	2 690	--	2 690	12 210
Příkopy Property Development, a.s.	100,00%	225 000	-103 023	121 977	121 977
Strakonice Property Development, a.s.	100,00%	6 000	-6 000	--	-1 773
Svitavy Property Alfa, a.s.	100,00%	2 000	--	2 000	10 347
Svitavy Property Development, a.s.	100,00%	102 000	-67 063	34 937	34 937
Statenice Property Development, a.s.	100,00%	232 115	-1 576	230 539	230 539
Telč Property Development, a.s.	100,00%	8 000	-3 271	4 729	4 729
Trutnov Property Development, a.s.	100,00%	82 000	--	82 000	137 637

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Třinec Investment, s.r.o.	100,00%	200	--	200	1 278
Týniště Property Development, s.r.o.	100,00%	200	-200	--	-304
U svatého Michala, a.s.	100,00%	111 000	-28 936	82 064	82 064
VERETIX, a.s.	100,00%	594 600	--	594 600	1 723 840
Vigano, a.s.	100,00%	352 000	-299 829	52 171	52 171
VM Property Development, a.s.	100,00%	2 000	--	2 000	21 150
VT Holding, a.s.	100,00%	149 124	--	149 124	278 275
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	65 523
ZLATICO LIMITED	100,00%	26	-26	--	-7 351
Žďár Property Development, a.s.	100,00%	8 500	-8 421	79	79
Ždírec Property Development, a.s.	100,00%	3 500	--	3 500	7 305
Total	--	**17 538 894**	**-1 268 949**	**16 269 945**	--

3.2 Change in investment in subsidiaries in 2013

a) Acquisition of investment in subsidiaries and stakes in jointly controlled entities

During 2013, the Company has acquired or founded the following entities.

Entity	Change	Share in %	Date of acquisition/foundation
CPI CYPRUS LIMITED	acquisition	100,00%	1 January 2013
CPI Epsilon, a.s.	founded	100,00%	18 June 2013
CPI Lambda, a.s.	founded	100,00%	18 June 2013
CPI North, s.r.o.	founded	100,00%	21 June 2013
CPI South, s.r.o.	founded	100,00%	18 June 2013
CURITIBA, a.s. (1)	acquisition	100,00%	31 December 2013
EMH North, s.r.o.	acquisition	100,00%	16 September 2013
EMH South, s.r.o.	acquisition	100,00%	16 September 2013
EMH West, s.r.o.	acquisition	100,00%	16 September 2013
Liongate, a.s.	acquisition	100,00%	3 September 2013
Marissa Lambda, a.s.	acquisition	100,00%	25 November 2013
Marissa North, a.s.	acquisition	100,00%	25 November 2013
Marissa Omega, a.s.	acquisition	100,00%	25 November 2013
Marissa Omikrón, a.s.	acquisition	100,00%	25 November 2013
Marissa Sigma, a.s.	acquisition	100,00%	25 November 2013
Marissa South, a.s.	acquisition	100,00%	25 November 2013
Marissa Tau, a.s.	acquisition	100,00%	25 November 2013
Marissa Théta, a.s.	acquisition	100,00%	25 November 2013
Marissa Yellow, a.s.	acquisition	100,00%	25 November 2013
Marissa Ypsilon, a.s.	acquisition	100,00%	25 November 2013
Statenice Property Development, a.s. (2)	acquisition	100,00%	31 March 2013
Třinec Investments, s.r.o. (3)	acquisition	100,00%	31 January 2013
VERETIX a.s. (4)	acquisition	100,00%	31 December 2013
ZLATICO LIMITED	acquisition	100,00%	17 January 2013

(1) On 31 December 2013 the Company acquired 100% share in CURITIBA a.s. including its fully owned subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s. The acquisition primary includes hostel located in Praha-Hloubětín and offering 1 670 beds and three star spa hotel located in Františkovy Lázně.
(2) On 15 May 2013, the Company acquired 100% of the shares in Statenice Property Development. The entity owns lands in Statenice with total area of app. 207 000 sqm.
(3) On 1 January 2013, the Company acquired 100% of the shares in Třinec Investments, s.r.o. The acquired entity owns Retail Park in Třinec. Retail Park is fully rented to tenants (CCC Boty, DM drogerie markt and other).
(4) On 31 December 2013 the Company acquired 100% share in VERETIX a.s. including its fully owned subsidiary Best Properties South, a.s. This acquisition relates to multi-purpose complex Galerie Fenix at Vysočany opened in mid 2008. The complex comprise of shopping center with total retail leasable area exceeding 12 000 sqm and four star hotel Clarion Congress Hotel Prague offering 560 hotel rooms.

The following entities has been renamed from 31 December 2013 till the date of the approval of these financial statements by Board of Directors: BAYTON Beta, a.s. (CPI Flats, a.s.), Liongate, a.s. (Čáslav Property Development, a.s.) and VT Holding, a.s. (CPI Retail Portfolio II, a.s.).

b) **Disposal of investments in subsidiaries and jointly controlled entities in 2013**

No entities were disposed in 2013.

3.3 Mergers of subsidiaries in 2013

- BRILLIANT VARIETY s.r.o. has merged with Brandýs Logistic, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of BRILLIANT VARIETY s.r.o. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.
- T. LAND, a.s. and EDELWEISS Development s.r.o. have merged with CPI Delta, a.s. (the "successor company") with the effective date of 1 April 2013. All assets and liabilities of T. LAND, a.s. and EDELWEISS Development s.r.o. passed to the successor company. The transaction was legally completed on 12 November 2013 when the merger was recorded in the commercial register.
- VT Alfa, a.s. and Horova Immo s.r.o. have merged with VT Holding, a.s. (the "successor company") with the effective date of 1 July 2012. All assets and liabilities of VT Alfa, a.s. and Horova Immo s.r.o. passed to the successor company. The transaction was legally completed on 20 February 2013 when the merger was recorded in the commercial register.
- MAPON, a.s. has merged with Trutnov Property Development, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of MAPON, a.s. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.
- RK Building s.r.o. has merged with Camuzzi, a.s. (the "successor company") with the effective date of 1 January 2013. All assets and liabilities of RK Building s.r.o. passed to the successor company. The transaction was legally completed on 29 August 2013 when the merger was recorded in the commercial register.
- SHEMAR INVESTMENTS LIMITED has merged with Balvinder, a.s. (the "successor company") with the effective date of 1 January 2012. All assets and liabilities of SHEMAR INVESTMENTS LIMITED passed to the

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

successor company. The transaction was legally completed on 1 February 2013 when the merger was recorded in the commercial register.

3.4 Investments in subsidiaries and jointly controlled entities at 31 December 2012

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Balvinder, a.s.	100,00%	68 000	--	68 000	75 549
Baudry, a.s.	100,00%	34 794	-536	34 258	34 258
BAYTON Beta, a.s.	100,00%	87 460	--	87 460	88 488
BAYTON Gama, a.s.	86,50%	542 482	--	542 482	653 609
Beroun Property Alfa, a.s.	100,00%	2 000	-55	1 945	1 945
Beroun Property Development, a.s.	100,00%	37 000	--	37 000	83 828
BPT Development, a.s.	100,00%	2 230	-2 230	--	-11 038
Brandýs Logistic, a.s.	100,00%	52 000	--	52 000	117 992
Březiněves, a.s.	100,00%	2 427	-2 427	--	-19 597
Camuzzi, a.s.	100,00%	42 000	-668	41 332	41 332
Carpenter Invest, a.s.	100,00%	113 558	-7 201	106 357	106 357
Conradian, a.s.	100,00%	175 000	-156 568	18 432	18 432
CPI - Bor, a.s.	100,00%	182 649	--	182 649	194 492
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-31 155
CPI - Land Development, a.s.	100,00%	1 500 000	-144 201	1 355 799	1 355 799
CPI - Orlová, a.s.	100,00%	30 000	-9 388	20 612	20 612
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	758 415
CPI - Štupartská, a.s.	100,00%	101 000	-79 019	21 981	21 981
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	123 775
CPI Alfa, a.s.	100,00%	27 000	-1 859	25 141	25 141
CPI Beta, a.s.	100,00%	2 000	--	2 000	2 020
CPI BYTY, a.s.	100,00%	184 767	--	184 767	3 394 261
CPI City Center ÚL, a.s.	100,00%	25 414	--	25 414	32 411
CPI Delta, a.s.	100,00%	2 000	--	2 000	2 006
CPI East, s.r.o.	100,00%	200	-39	161	161
CPI Facility Slovakia, a.s.	100,00%	609	--	609	1 810
CPI FINANCE IRELAND LIMITED	100,00%	9 001 500	-4 749	8 996 751	8 996 751
CPI Finance Netherlands B.V.	100,00%	48 428	--	48 428	551 623
CPI Heli, s.r.o.	100,00%	200	-200	--	-3 969
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	438 297
CPI Management, s.r.o.	100,00%	200	--	200	1 641
CPI Park Mlýnec, a.s.	100,00%	139 900	-67 610	72 290	72 290
CPI Property, s.r.o.	100,00%	200	--	200	888
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 539 217

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
CPI Retails FOUR, a.s.	100,00%	1 600	--	1 600	22 395
CPI Retails ONE, a.s.	100,00%	2 000	-759	1 241	1 241
CPI Retails THREE, a.s.	100,00%	695	-695	--	-13 860
CPI Retails TWO, a.s.	100,00%	2 000	--	2 000	2 761
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 785
CPI West, s.r.o.	100,00%	200	--	200	3 177
Družstvo Land	99,96%	934 026	--	934 026	1 174 782
ELAMOR, a.s.	100,00%	672	-86	586	586
FL Property Development, a.s.	100,00%	12 000	--	12 000	21 686
IGY2 CB, a.s.	100,00%	35 000	-610	34 390	34 390
Kerina, a.s.	100,00%	87 000	-37 074	49 926	49 926
Malerba, a.s.	100,00%	100 000	--	100 000	1 832 718
Marissa, a.s.	100,00%	339 660	-3 883	335 777	3 635
MUXUM, a.s.	100,00%	258 326	-32 715	225 611	225 611
Olomouc City Center, a.s.	99,91%	140 655	-48 909	91 746	91 746
Olomouc Office, a.s.	100,00%	2 000	--	2 000	2 000
Prague Property Development, s.r.o.	100,00%	38 771	--	38 771	93 479
Příbor Property Development, s.r.o.	100,00%	2 690	--	2 690	10 532
Příkopy Property Development, a.s.	100,00%	225 000	-81 349	143 651	143 651
Strakonice Property Development, a.s.	100,00%	6 000	-5 606	394	394
Svitavy Property Alfa, a.s.	100,00%	2 000	--	2 000	3 955
Svitavy Property Development, a.s.	100,00%	102 000	-64 937	37 063	37 063
Telč Property Development, a.s.	100,00%	8 000	-864	7 136	7 136
Trutnov Property Development, a.s.	100,00%	82 000	-452	81 548	81 548
Týniště Property Development, s.r.o.	100,00%	200	-200	--	-148
U svatého Michala, a.s.	100,00%	111 000	--	111 000	188 857
Vigano, a.s.	100,00%	282 000	-282 000	--	-13 995
VM Property Development, a.s.	100,00%	2 000	--	2 000	26 861
VT Holding, a.s.	100,00%	149 124	--	149 124	254 737
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	63 965
Žďár Property Development, a.s.	100,00%	8 500	-8 419	81	81
Ždírec Property Development, a.s.	100,00%	6 000	--	6 000	9 448
Total	**--**	**16 297 015**	**-1 049 308**	**15 247 707**	**--**

3.5 Merger of the Company with its subsidiaries in 2012

Subsidiary CPI Finance, a.s. merged with the Company (the „successor company") with the effective date of 1 January 2012. The transaction was legally completed on 30 November 2012 when the merger was recorded in the commercial register.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The merger had the following effect on Company's assets and liabilities:

Assets in fair value CPI Finance, a.s.	2 454 309	Liabilities of CPI Finance, a.s.	1 638 372
Value of investments into:		Effect on equity of the Company:	20 937
CPI Finance, a.s.	-795 000	thereof: Retained Earnings	63 088
		Merger Reserve	-42 151
Total	**1 659 309**		**1 659 309**

(1) Carrying value of disclosed financial investment 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.

3.6 Change in investment in subsidiaries and jointly controlled entities in 2012

a) Acquisition of investment in subsidiaries and stakes in jointly controlled entities

During 2012, the Company has acquired or founded the following entities.

Entity	Change	Share in %	Date of acquisition/foundation
BAYTON Beta, a.s.	acquisition	100,00%	28 June 2012
BAYTON Gama, a.s.	acquisition	86,50%	28 June 2012
BPT Development, a.s.	acquisition	100,00%	5 December 2012
Březiněves, a.s.	acquisition	100,00%	17 December 2012
CPI Alfa, a.s.	founded	100,00%	21 March 2012
CPI Beta, a.s.	founded	100,00%	21 March 2012
CPI Delta, a.s.	founded	100,00%	21 March 2012
CPI East, s.r.o.	founded	100,00%	12 March 2012
CPI Heli, s.r.o.	founded	100,00%	27 March 2012
CPI West, s.r.o.	founded	100,00%	14 March 2012
Olomouc City Center, a.s.	acquisition	99,91%	5 December 2012
Olomouc Office, a.s.	acquisition	100,00%	5 December 2012
Týniště Property Development, s.r.o.	founded	100,00%	8 August 2012
VT Holding, a.s.	acquisition	50,00%	29 March 2012

b) Disposal of investments in subsidiaries and jointly controlled entities in 2012

No entities were disposed in 2012.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

4 Statement of comprehensive income

4.1 Revenues

	2013	2012
Rental income (1)	13 497	12 838
Other services	3 794	5 535
Total	**17 291**	**18 373**

(1) Rental income relates mainly to sub-lease of office spaces in building situated on Václavské náměstí 47. Sub-lease services are provided both to service companies within the CPI Group (TCZK 11 047) and to third parties (TCZK 2 086).

4.2 Administrative expenses

	2013	2012
Service provided based on mandate contracts	-600	-612
Lease and rental expenses	-20 685	-22 894
Audit, tax and advisory services	-1 031	-4 615
Legal services	-456	37
Wages and salaries	--	-116
Depreciation and amortisation expense	-3 336	-2 677
Telecommunication fees	-157	-15
Representation expenses	--	-11
Social and health security contributions	--	-9
Advertising expenses	--	-58
Repairs and maintenance	-19	-3
Insurance expenses	-71	-73
Material consumption	-71	-230
Energy consumption	20	-7
Other administrative expenses (1)	-1 620	-2 894
Total	**-28 026**	**-34 177**

(1) Other administrative expenses relate mainly with IT services provided by third party, which are partially re-invoiced to other service companies within the CPI Group.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

4.3 Net valuation loss on investment property

	2013	2012
Valuation losses		
Land bank	--	-4 681
Total valuation losses	--	-4 681
Net valuation losses	**--**	**-4 681**

The Company did not report any valuation gain or loss on investment property due to the sale and in-kind contribution of investment property to subsidiaries of the Company, as described in note 5.1.

4.4 Gain on the disposal of investment property

	2013	2012
Proceeds from sale of investment property	9 233	--
Total proceeds from disposal of investment property	**9 233**	**--**
Carrying value of investment property sold and related cost	-6 570	--
Total carrying value of investment property disposed and related cost	**-6 570**	**--**
Net gain on the disposal of investment property	2 663	--
Total gain on the disposal of investment property	**2 663**	**--**

During 2013 the Company sold its investment property as described in note 5.1.

4.5 Net result on disposal of trading property – inventories

	2013	2012
Proceeds from sale of trading property		
Project management - Marianske Lazne	--	435
Total proceeds from disposal of trading property	**--**	**435**
Carrying value of trading property sold and related cost		
Project management - Marianske Lazne	--	-456
Total carrying value of trading property disposed and related cost	**--**	**-456**
Net loss on the disposal of trading property		
Project management - Marianske Lazne	--	-21
Total gain / (loss) on the disposal of trading property	**--**	**-21**

Project management of project Mariánské Lázně was transferred to other service company of CPI Group in 2012, so there were no proceeds from sale of trading property in 2013.

Notes to financial statements for the year ended 31 December 2013 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:

	2013	2012
Impairment of financial investment (1)	-219 641	-476 520
Impairment of trade receivables (2)	-1 846	-16 917
Impairment (-) of other receivables	-327	21 974
Total	**-221 814**	**-471 463**

(1) The Company recognized impairment loss on financial investments of TCZK 219 641 in 2013. The main negative impacts represents impairment loss of TCZK 49 926 (Kerina, a.s.), TCZK 37 027 (Olomouc City Center, a.s.) and TCZK 28 936 (U Svatého Michala, a.s.).

In 2012, the Company recognized impairment on financial investment’s of TCZK 476 520. The main negative impacts represents impairment loss of TCZK 282 000 (Vigano, a.s.), and TCZK 64 937 (Svitavy Property Development, a.s.) and TCZK 48 909 (Olomouc City Center, a.s.).

The impairment losses were recognised based on comparison of carrying value of an investment with its estimated fair value. The estimated fair value was calculated based on estimated net assets of individual subsidiaries using the estimated fair values of respective properties.

Key assumptions and methods used in property valuations at individual subsidiaries’ level:

The subsidiaries´ property portfolio in Czech and Slovak Republic is valued mainly by DTZ Czech Republic, a.s. Valuations of selected properties in Czech Republic, particularly land (land bank), was performed by RSA TACOMA, a.s. or other external valuation companies. Property portfolio in Hungary and Poland is valued mainly by Jones Lang LaSalle and Colliers International.

The results of independent valuations were further reviewed by the Company’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, impact of deferred tax liability on specific valuations, and current market conditions.

Valuation reflects, where appropriate, the type of tenants actually in occupation or responsible for meeting the lease commitments or likely to be in occupation after letting vacant accommodation and the market’s general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices, and where appropriate counter notices, have been served validly and within the appropriate time.

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to the Company one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2012 and 31 December 2013, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

A) Investment property

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, e.g. repairs and maintenance, property management fee, insurance, expenses standing for doubtful debtors, marketing expenses and other factors like overall condition of the property and applying a discount rate reflecting the current income risk and value for money. After ten years a determining residual value (exit scenario) is calculated.

(ii) Retail, Office, Logistics and industry

Retail, office, logistics and industry 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 (equivalent 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. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation.

(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. This valuation method is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property market. Using this approach a value indication by comparing the subject property to prices of similar properties is produced.

The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison. Percentage adjustments were then applied to the sale prices of the comparables because the prices of these properties are known, while the value of the subject property is not.

(iv) Hotel

Hotel properties have been valued using the direct comparison method of valuation and the price per bedroom was calculated and compared. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

B) Investment property under development / developments

The valuer used the Residual Value Approach for the valuation of the investment property under development. In order to assess the market value of the sites, the valuer undertook a development appraisal to assess the potential value (Gross Development Value) of the fully completed and leased development as currently proposed, and deducted hard costs, soft costs, financing costs and a developer’s profit to reflect the required level of return to a developer and the risk of undertaking the scheme.

In assessing the Gross Development Value, the value adopted a market approach by estimating the market rental values for the accommodation being developed, and the appropriate capitalisation rate which a potential investor would require, to arrive at the Market Value of the completed and leased building. The Gross Development Value for the hotel properties under development have been estimated using the direct comparison method.

(2) Impairment losses on trade receivables include bad debt provisions charged to profit or loss and loss/gain related to receivables written off/recovered. For further information related to monitoring of credit risk exposures, refer to note 6.1 Credit risk.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

4.7 Other income

	2013	2012
Release of unused provisions	--	448
Income from penalties (1)	11 555	9 998
Insurance claims	--	-40
Gifts	300	--
Other	46	193
Total	**11 901**	**10 599**

(1) Income from penalties, result from delayed repayment of loan provided to third party of TCZK 11 555, was paid in 2013.

4.8 Other expenses

	2013	2012
Loss on assignment of receivables	-2 108	--
Change in provisions	-4	--
Taxes and fees	-8	-159
Penalties	-2 706	-2 006
Gifts	- 6 323	-10 320
Tax non deductible VAT expenses	-3 098	-1 049
Property under construction written off	--	-6 363
Total	**-14 247**	**-19 897**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

4.9 Finance income

	2013	2012
Bank interest income	8	157
Interest income on bonds (1)	2 482	--
Interest income on loans and receivables (2)	1 470 170	787 288
Net foreign exchange gain	69 959	--
Dividends received (3)	553 218	1 944 000
Other finance income	48	--
Total	**2 095 885**	**2 731 445**

(1) Interest income on bonds relates to bonds issued by 3rd party purchased by the Company (refer to note 5.4).
(2) Increase in income on loans and receivables is generally attributable to significant increase in non-current and current loans provided to third parties and to entities under direct or indirect control as described in note 5.5.
(3) In 2013 the Company received dividends from CPI BYTY, a.s. in the amount of TCZK 140 000, from CPI Finance Netherlands B.V. in the amount of TCZK 126 264, from CPI – Real Estate, a.s. in the amount of TCZK 241 954 and from CPI Reality, a.s. in the amount of TCZK 45 000.
Balance in 2012 relates to dividend received from CPI BYTY, a.s. and from CPI Finance Netherlands B.V. in the amount of TCZK 1 930 000 and TCZK 14 000 respectively. Receivable from dividend of TCZK 1 930 000 related to CPI BYTY, a.s. was offset in 2012 with payable of TCZK 1 508 000 arisen from repurchase of own bonds and with payables arisen from cession of receivables of TCZK 422 000.

4.10 Finance costs

	2013	2012
Interest expense related to bank and non-bank loans (1)	-686 525	-904 104
Interest expense on bonds issued (2)	-756 538	-284 047
Interest expense on other non-current liabilities	-19 399	-40 335
Net foreign exchange loss	--	-15 464
Bank charges	-42 113	-29 824
Total	**-1 504 575**	**-1 273 774**

(1) Interest expense in the amount of TCZK 406 046 relates to the amortization of interest-free loan, provided by CPI Finance Netherland B.V. (refer to note 5.8 for further information). In 2012 amount of TCZK 486 647 related to this loan.

(2) Significant increase in interest on bonds is attributable to new bonds issued by the Company in 2013 and during 2012 (refer to note 5.10).

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

4.11 Taxation

	2013	2012
Current income tax expense		
Current year	-1 654	--
Adjustment for prior years	408	46
Total	**-1 246**	**46**
Deferred income tax expense		
Origination and reversal of temporary differences	-9 081	69 099
Total	**-9 081**	**69 099**
Income tax from continuing operations recognised in profit or loss	**-10 327**	**69 145**
Total income tax recognised in profit or loss	**-10 327**	**69 145**

Reconciliation of effective tax rate

	2013	2012
Profit for the period	348 751	1 025 549
Total income tax recognised in profit or loss	10 327	69 145
Profit excluding income tax	**359 078**	**956 404**
Current income tax rate	19%	19%
Income tax expense / (income) using the domestic corporate income tax rate	-68 225	-181 717
Non-deductible expense	-55 253	-111 032
Tax exempt income (1)	112 743	369 360
Income tax adjustment for prior years	408	46
Change in the permanent tax differences	--	-7 512
Tax income / (expense)	**-10 327**	**69 145**

(1) Tax exempt income relates to dividends received.

Current income tax assets

The current income tax assets of TCZK 5 438 (2012 – current income tax assets TCZK 4 589) represents the amount of income tax Company's prepayments exceeding income tax liability in respect of current and prior periods.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Recognized deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Investment property	--	--	-943	-7 571	-943	-7 571
Property, plant and equipment	244	207	--	--	244	207
Loans provided	42 306	84 541	--	--	42 306	84 541
Interest-bearing loans and borrowings	--	--	-90 614	-80 438	-90 614	-80 438
Bonds (1)	--	--	-50 660	--	-50 660	--
Tax assets/(liabilities)	**42 550**	**84 748**	**-142 217**	**-88 009**	**-99 667**	**-3 261**
Set-off of tax	**--**	**--**	**--**	**--**	**--**	**--**
Net tax assets/(liabilities)	**42 550**	**84 748**	**-142 217**	**-88 009**	**-99 667**	**-3 261**

(1) Deferred tax liability from issued bonds reflects temporary difference between carrying and tax values of bonds issued as certain amount of bonds was sale below the nominal value.

Unrecognized deferred tax asset

	2013	**2012**
Trade and other receivables	4 745	4 245
Net tax assets	**4 745**	**4 245**

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from. The tax losses will expire in 2017.

Movement in deferred tax balances

2013

	Balance at 1 January 2013	**Recognised in profit or loss**	**Recognised directly in equity**	**Balance at 31 December 2013**
Investment property	-7 571	7 571	--	--
Property, plant and equipment	207	37	--	244
Intangible assets	--	-943	--	-943
Loans provided	84 541	-42 235	--	42 306
Interest-bearing loans and borrowings	-80 438	77 149	-87 325	-90 614
Bonds	--	-50 660	--	-50 660
Total	**-3 261**	**-9 081**	**-87 325**	**-99 667**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

2012

	Balance at 1 January 2012	Impact of merger	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2012
Investment property	-8 448	--	877	--	-7 571
Property, plant and equipment	4 839	--	-4 632	--	207
Loans provided	1 938	--	-14 764	97 367	84 541
Interest-bearing loans and borrowings	-72 557	--	92 462	-100 343	-80 438
Trade and other receivables	4 819	4 179	-8 998	--	--
Trade and other payables	-4 154	--	4 154	--	--
Total	**-73 563**	**4 179**	**69 099**	**-2 976**	**-3 261**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5 Statement of financial position

5.1 Investment property

At 31 December 2013

	Land bank	Total
Balance at 1 January 2013	63 420	63 420
Disposals of investment property projects (1)	-6 570	-6 570
Other transfers from/to (2)	-56 850	-56 850
Balance at 31 December 2013	--	--

At 31 December 2012

	Land bank	Total
Balance at 1 January 2012	**68 510**	**68 510**
Transfer to property, plant and equipment	-409	-409
Valuation loss	-4 681	-4 681
Balance at 31 December 2012	**63 420**	**63 420**

(1) In 2013, the Company sold investment property, represented by land portfolio in Prague – Vysočany, to its newly-acquired subsidiary Best Properties South, a.s. (note 3.2). Sold investment property was valued at 31 December 2013 by independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. Fair value of sold investment property was determined to be TCZK 6 570.
(2) In 2013, the Company contributed its land portfolio, comprising of land situated in Prague – Vysočany, Černošice and Bratronice, to its newly-acquired subsidiary CPI South, a.s. (note 3.2). Fair value of contributed investment property in the amount of TCZK 56 850 was determined by independent valuers.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.2 Property, plant and equipment

2013

	Plant and equipment	PPE under Finance leases	Property under construction	Other	Total
Cost					
Balance at 1 January 2013	**10 559**	**914**	**25 014**	**71**	**36 558**
Other additions	--	--	--	55	55
Disposals	-1 319	--	-30	--	-1 349
Balance at 31 December 2013	**9 240**	**914**	**24 984**	**126**	**35 264**
Depreciation and impairment losses					
Balance at 1 January 2013	**6 451**	**914**	**24 984**	**--**	**32 349**
Depreciation for the period	1 211	--	--	--	1 211
Other disposals	-1 319	--	--	--	-1 319
Balance at 31 December 2013	**6 343**	**914**	**24 984**	**--**	**32 241**
Carrying amounts					
At 1 January 2013	**4 108**	**--**	**30**	**71**	**4 209**
At 31 December 2013	**2 897**	**--**	**--**	**126**	**3 023**

2012

	Plant and equipment	PPE under finance lease	Property under construction	Other	Total
Cost					
Balance at 1 January 2012	**10 201**	**1 233**	**25 674**	**71**	**37 179**
Other additions	438	--	--	--	438
Disposals	-489	-319	-660	--	-1 468
Transfer from investment property	409	--	--	--	409
Balance at 31 December 2012	**10 559**	**914**	**25 014**	**71**	**36 558**
Depreciation and impairment losses					
Balance at 1 January 2012	**6 187**	**863**	**24 984**	--	**32 034**
Depreciation for the period	753	152	--	--	905
Other disposals	-489	-101	--	--	-590
Balance at 31 December 2012	**6 451**	**914**	**24 984**	--	**32 349**
Carrying amounts					
At 1 January 2012	**4 014**	**370**	**690**	**71**	**5 145**
At 31 December 2012	**4 108**	**--**	**30**	**71**	**4 209**

There are no pledged property, plant and equipment in 2013 and 2012.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.3 Intangible assets

2013

	Software	Other	Total
Cost			
Balance at 1 January 2013	**17 199**	**122**	**17 321**
Additions	2 300	--	2 300
Balance at 31 December 2013	**19 499**	**122**	**19 621**
Amortisation and impairment losses			
Balance at 1 January 2013	**9 723**	**2**	**9 725**
Amortisation for the period (+)	2 125	--	2 125
Balance at 31 December 2013	**11 848**	**2**	**11 850**
Carrying amounts			
At 1 January 2013	**7 476**	**120**	**7 596**
At 31 December 2013	**7 651**	**120**	**7 771**

2012

	Software	Other	Total
Cost			
Balance at 1 January 2012	**15 265**	**--**	**15 265**
Additions	1 934	122	2 056
Balance at 31 December 2012	**17 199**	**122**	**17 321**
Amortisation and impairment losses			
Balance at 1 January 2012	**7 953**	**--**	**7 953**
Amortisation for the period (+)	1 770	2	1 772
Balance at 31 December 2012	**9 723**	**2**	**9 725**
Carrying amounts			
At 1 January 2012	**7 312**	**--**	**7 312**
At 31 December 2012	**7 476**	**120**	**7 596**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.4 Other investments

Non-current investments

The Company has following investments with the ownership interest not exceeding 10%:

	2013	2012
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 (share 0,57%)	300	300
STRM Delta a.s. (share 0,07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	20
Total equity investments	**11 766**	**11 766**
Debentures (1)	37 709	--
Total other non-current investments	**49 475**	**11 766**

Current

	2013	2012
Interest to debentures (1)	209	--
Total other current investments	**209**	**--**

(1) The Company acquired debentures issued by 3rd party in total nominal value of TCZK 37 709 in 2013. Debentures are denominated in EUR. The debentures bear interest rate of 10% p.a. and are due on 10 December 2016. Interest are paid on annually basis. Debentures are not publicly traded and not secured.

The above investments do not have a quoted market price in an active market and are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2013.

For breakdown of the carrying amounts and fair values of financial assets and financial liabilities refer to note 6.5.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.5 Loans provided

Non-current

	2013 Balance	2013 Average interest rate	2012 Balance	2012 Average interest rate
Non-current loans provided				
Loans provided to entities under direct or indirect control (1)	9 398 102	5,45%	5 513 984	5,29%
Loans provided to other related parties	1 770 104	11,95%	2 632 499	11,02%
Loans provided to third parties	133 626	6,26%	982 635	10,39%
Total	**11 301 832**		**9 129 118**	

(1) Increase in loans provided to entities under direct or indirect control relates mainly to expansion of CPI Group.

Current

	2013 Balance	2013 Average interest rate	2012 Balance	2012 Average interest rate
Current loans provided				
Loans provided to entities under direct or indirect control	7 138 014	6,83%	7 289 980	6,56%
Loans provided to other related parties	199 841	12,00%	63 181	1,82%
Loans provided - other	698 340	8,04%	1 030 486	10,02%
Bills of exchange – third parties	165 037	6,00%	--	--
Total	**8 201 232**		**8 383 647**	

Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period. Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period.

The Company provides 17 non-current loans to third parties (2012 – 27) with interest rates between 5% and 12% (2012 – between 2% and 12%) and 11 current loans to third parties (2012 – 10) with interest rate between 3% and 10% (2011 – between 4,50% and 15%).

The Company provides 66 non-current loans to entities under direct or indirect control (2012 – 51) with interest rates between 2% and 10% (2012 – between 2,50% and 11%) and 16 current loans to entities under direct or indirect control (2012 – 18) with interest rate between 3% and 9% (2012 – between 0% and 8,50%).

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The maturity of non-current loans provided to third parties and joint ventures at 31 December 2013 and as at 31 December 2012 was as follows:

2013

	1-2 years	2-5 years	>5 years	Total
Loans provided to entities under direct or indirect control	2 382 749	3 028 937	3 986 416	9 398 102
Loans provided to other related parties	909 065	861 039	--	1 770 104
Loans provided - other	9 182	124 444	--	133 626
Total	**3 300 996**	**4 014 420**	**3 986 416**	**11 301 832**

2012

	1-2 years	2-5 years	>5 years	Total
Loans provided to entities under direct or indirect control	592 604	2 870 547	2 050 833	5 513 984
Loans provided to other related parties	972 746	1 493 390	166 363	2 632 499
Loans provided - other	109 001	828 513	45 121	982 635
Total	**1 674 351**	**5 192 450**	**2 262 317**	**9 129 118**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.6 Trade and other receivables

Non-current

	2013	2012
Advances paid for financial investment	2 654	--
Other advances paid	3 469	3 180
Non-financial trade and other receivables	**6 123**	**3 180**
Receivables acquired through assignment from related parties (1)	--	861 152
Other receivables due from third parties	19	2 673
Financial trade and other receivables	**19**	**863 825**
Total non-current receivables	**6 142**	**867 005**
Total trade and other receivables net of impairment	**6 142**	**867 005**

Current

	2013	2012
Trade receivables due from entities under direct or indirect control	106 211	105 705
Trade receivables due from other related parties	--	970
Trade receivables due from third parties	27 886	47 338
Other advances paid	30	--
Prepaid expenses	10 482	--
Non-financial trade and other receivables	**144 609**	**154 013**
Receivables from sale of subsidiaries	2 043	4 043
Receivables from sale of receivables (2)	523 982	604 075
Receivables acquired through assignment (3)	91 934	61 629
Receivables due from employees	19	--
Other receivables due from entities under direct or indirect control (4)	4 269 247	483 447
Other receivables due from other related parties (5)	716 198	4 329
Other receivables due from third parties	3 761	23 041
Financial trade and other receivables	**5 607 184**	**1 180 564**
Total current receivables	**5 751 793**	**1 334 577**
Impairment to trade receivables due from third parties	-18 369	-16 523
Impairment to other receivables due from third parties	-6 148	-5 821
Total impairment to current receivables	**-24 517**	**-22 344**
Total trade and other receivables net of impairment	**5 727 276**	**1 312 233**

(1) Non-current receivables acquired through assignment were in 2013 sold to related party and resulting receivable from the assignment is disclosed within current other receivables due from related parties in amount of TCZK 266 132 and partly offset with other payables due to third parties.

(2) Receivables from sale of receivables as at 31 December 2013 comprised mainly receivable from Best Properties South, a.s. sold to third party. During 2013 this receivable was partially settled and remaining portion is MCZK 524 (MCZK 572 in 2012). The loan is unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

(3) As at 31 December 2013 balance of receivables acquired through assignment mainly included unsecured receivables to third parties in the amount of TCZK 91 934.
(4) Other receivables due from entities under direct or indirect control comprised mainly receivables from sale of shares of the Company´s subsidiaries to entities under direct or indirect control (TCZK 376 000) and receivables acquired through assignment from entities under direct or indirect control (TCZK 3 835 803).
In 2013 the Company and CPI BYTY a.s. offset their mutual receivables, loans provided, loans received and other payables in total amount of TCZK 468 513 (as noticeable from decrease of mutual assets and liabilities in note 7).
(5) Other receivables due from other related parties comprised mainly receivables from sale of receivables acquired through assignment from related parties (TCZK 266 132) and from receivable (TCZK 450 000) attributable to in-kind contributions from the sole shareholder (note 5.8).

5.7 Cash and cash equivalents

	2013	2012
Bank balances	108 824	1 668 499
Cash on hand	9 266	9 524
Total	**118 090**	**1 678 023**

For pledged cash refer to note 5.9.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.8 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 2013	2012
Issued at 1 January	7 733 746	5 535 175
New shares issued and paid in the year	--	2 198 571
Issued at 31 December	**7 733 746**	**7 733 746**

The Company didn't subscribe any new shares in 2013. The subscribed capital of the Company as at 31 December 2013 was TCZK 6 186 997 (as at 31 December 2012 – TCZK 6 186 997), comprising 7 733 746 shares (as at 31 December 2012 – 7 733 746 shares), each with a nominal value of CZK 800 (as at 31 December 2012 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company 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. Shares of the Company are not traded on any public or regulated domestic or foreign market.

Other reserves

Increase in other reserves by TCZK 2 867 949 is attributable to in-kind contributions from the sole shareholder.

Month of contribution	Amount	Type
May 2013	947 741	in-kind
June 2013	170 324	in-kind
September 2013	66 042	in-kind
December 2013	872 252	in-kind
December 2013	85 000	in-kind
December 2013	276 590	in-kind
December 2013	450 000	*
Total contribution	**2 867 949**	--

*TCZK 450 000 represents outstanding receivable from the sole shareholder as at 31 December 2013 (note 5.6)

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.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Other changes in equity

Interest-free and low-interest loans provided and drawn

In 2011 the Company recognised 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 p.a. and the difference in the amount of TCZK 575 235 between nominal value of the loan and its amortized 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 as at 31 December 2011. The loan was planned for repayment by 31 December 2012.

In 2012 the Company drew four new tranches of the loan in total nominal value of TCZK 3 152 658 with planned repayment by 31 December 2013. As at the inception dates, the Company recognized the loan tranches in fair values based on predicted discounted cash flows using 8% effective interest rate p.a. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception of TCZK 339 602 decreased by related deferred tax liability of TCZK -64 524 were recognized in equity. Based on change in estimated repayments (extension of planned repayment to 31 December 2013) for loan tranche drawn in 2011, the difference between carrying value of the loan and its present value (calculated based on the change in estimated repayments using the original effective interest rate) in the total amount of TCZK 158 326 decreased by related deferred tax liability of TCZK -30 082 was credited to equity of the Company.

In 2013 the Company drew seven new tranches of the loan in total nominal value of TCZK 3 179 937 with planned repayment by 31 December 2014. As at the inception dates, the Company recognized the loan tranches in fair values based on predicted discounted cash flows using 8% effective interest rate p.a. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception of TCZK 315 663 decreased by related deferred tax liability of TCZK -59 976 were recognized in equity. Based on change in estimated repayments (extension of planned repayment to 31 December 2014) for loan tranches drawn in 2012, the difference between carrying value of the loan and its present value (calculated based on the change in estimated repayments using the original effective interest rate) in the total amount of TCZK 143 943 decreased by related deferred tax liability of TCZK -27 350 was credited to equity of the Company. All tranches from 2011 were fully repaid in 2013.

Earnings per share

Basic earnings per share in 2013

Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2013	348 751	348 751
Net profit attributable to ordinary shareholders	**348 751**	**348 751**

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2013	7 733 746	1,0000	7 733 746
Issued ordinary shares at 31 December 2013	7 733 746		7 733 746
Weighted average number of ordinary shares at 31 December 2013			7 733 746
Earnings per share 2013 (CZK)			**45,09**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Diluted earnings per share in 2013

The Company has not issued any instruments that are potentially dilutive and therefore diluted earnings per share in 2013 is the same as basic earnings per share in 2013.

Basic earnings per share in 2012

Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 025 549	1 025 549
Net profit attributable to ordinary shareholders	**1 025 549**	**1 025 549**

Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
Earnings per share 2012 (CZK)			**178,67**

Diluted earnings per share in 2012

The Company has not issued any instruments that are potentially dilutive and therefore diluted earnings per share in 2012 is the same as basic earnings per share in 2012.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.9 Interest-bearing loans and borrowings

Non-current

	2013	2012
Loans drawn from entities under direct or indirect control	9 197 528	8 522 075
Loans drawn from other related parties	--	10 525
Loans drawn from third parties	3 075	5 208
Bills of exchange	255 178	47 137
Total	**9 455 781**	**8 584 945**

Current

	2013	2012
Loans drawn from entities under direct or indirect control	586 313	1 017 319
Loans drawn from other related parties	15 127	1 546
Loans drawn from third parties	174 090	1 251 868
Bills of exchange	289 120	234 553
Total	**1 064 650**	**2 505 286**

Maturity analysis of loans is as follows:

2013

	< 1 year	1-5 years	> 5 years	Total
Loans from entities under direct or indirect control	586 313	921 606	8 275 922	9 783 841
Loans from to other related parties	15 127	--	--	15 127
Loans from third parties	174 090	2 900	175	177 165
Total	**775 530**	**924 506**	**8 276 097**	**9 976 133**

2012

	< 1 year	1-5 years	> 5 years	Total
Loans from entities under direct or indirect control	1 017 319	407 457	8 114 618	9 539 394
Loans from to other related parties	1 546	10 525	--	12 071
Loans from third parties	1 251 868	5 208	--	1 257 076
Total	**2 270 733**	**423 190**	**8 114 618**	**10 808 541**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.10 Bonds issued

	31 December 2013		31 December 2012	
	No. of bonds issued	Value	No. of bonds issued	Value
Non-current liabilities				
Proceeds from issued bonds - CPI 2021 (1)	1 215	2 430 000	1 215	2 430 000
Less: bonds owned by the Company	-1 215	-1 786 000	-793	-1 586 000
Subtotal bonds - CPI 2021	--	644 000	422	844 000
Proceeds from issued bonds - CPI VAR/15 (EUR) (2)	30 000	411 375	30 000	377 100
Less: transaction costs	--	-3 911	--	-6 966
Subtotal bonds - CPI VAR/15 (EUR)	30 000	407 464	30 000	370 134
Proceeds from issued bonds - CPI VAR/19 (CZK) (3)	2 000 000 000	2 000 000	2 000 000 000	2 000 000
Less: transaction costs	--	-39 577	--	-46 385
Subtotal bonds - CPI VAR/19 (CZK)	2 000 000 000	1 960 423	2 000 000 000	1 953 615
Proceeds from issued bonds - CPI VAR/19 (EUR) (4)	116 000	1 590 650	116 000	1 458 120
Less: transaction costs	--	-29 810	--	-34 453
Subtotal bonds - CPI VAR/19 (EUR)	116 000	1 560 840	116 000	1 423 667
Proceeds from issued bonds - CPI 8,00/42 (5)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: transaction costs	--	-2 460	--	-140
Subtotal bonds - CPI 8,00/42	1 000 000 000	997 540	1 000 000 000	999 860
Proceeds from issued bonds - CPI 7,00/22 (6)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: transaction costs	--	-1 840	--	-121
Subtotal bonds - CPI 7,00/22	1 000 000 000	998 160	1 000 000 000	999 879
Proceeds from issued bonds - CPI 7,00/22 (7)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: transaction costs	--	-1 840	--	-121
Subtotal bonds - CPI 7,00/22	1 000 000 000	998 160	1 000 000 000	999 879
Proceeds from issued bonds - CPI 7,00/22 (8)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: transaction costs	--	-1 840	--	-121
Subtotal bonds - CPI 7,00/22	1 000 000 000	998 160	1 000 000 000	999 879
Proceeds from issued bonds - CPI 8,00/42 (9)	1 000 000 000	1 000 000	1 000 000 000	1 000 000
Less: transaction costs	--	-2 465	--	-141
Subtotal bonds - CPI 8,00/42	1 000 000 000	997 535	1 000 000 000	999 859
Proceeds from issued bonds - CPI 6,05/16 (10)	150 000	1 463 017	--	--
Less: transaction costs	--	-17 415	--	--
Subtotal bonds - CPI 6,05/16 (CZK)	150 000	1 445 602	--	--

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	31 December 2013		31 December 2012	
	No. of bonds issued	**Value**	**No. of bonds issued**	**Value**
Proceeds from issued bonds - CPI VAR/18 (11)	100 000	2 512 853	--	--
Less: bonds owned by the Company	-10 890	-298 658	--	--
Less: transaction costs	--	-425	--	--
Subtotal bonds - CPI VAR/18 (EUR)	89 110	2 213 770	--	--
Total non-current		**13 221 654**		**9 590 772**

	31 December 2013		31 December 2012	
	No. of bonds issued	**Value**	**No. of bonds issued**	**Value**
Current liabilities				
Accrued interest bonds - CPI 2021 (1)	--	112 807	--	111 167
Accrued interest bonds - CPI VAR/15 (EUR) (2)	--	8 161	--	7 149
Accrued interest bonds - CPI VAR/19 (CZK) (3)	--	36 928	--	38 957
Accrued interest bonds - CPI VAR/19 (EUR) (4)	--	30 359	--	27 643
Accrued interest bonds - CPI 8,00/42 (5)	--	5 556	--	6 000
Accrued interest bonds - CPI 7,00/22 (6)	--	4 667	--	5 056
Accrued interest bonds - CPI 7,00/22 (7)	--	3 694	--	4 083
Accrued interest bonds - CPI 7,00/22 (8)	--	3 306	--	3 694
Accrued interest bonds - CPI 8,00/42 (9)	--	2 889	--	3 333
Accrued interest bonds - CPI 6,05/16 (10)	--	23 367	--	--
Accrued interest bonds - CPI VAR/18 (11)	--	14 232	--	--
Total current		**245 966**		**207 082**
Total		**13 467 620**		**9 797 854**

(1) **CPI 2021,** ISIN CZ0003501496

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. In 2012, the Company bought back the remaining part of the bonds which are thereby hold entirely by the Company. The Company 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 CPI 2021 bear the interest rate based on 6M PRIBOR + 3,5% margin. Interests are due semiannually, on 8 February and 8 August respectively.

(2) **CPI VAR/15 (EUR),** ISIN CZ0003501835
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 Czech National Bank 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.

(3) **CPI VAR/19 (CZK),** ISIN CZ0003501868
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 Czech National Bank 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.

(4) **CPI VAR/19 (EUR),** ISIN CZ0003501843
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 Czech National Bank 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.

(5) **CPI 8,00/42,** ISIN CZ0003502932
CPI 8,00/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1 000 000.
CPI 8,00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 5 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8,00/42, ISIN CZ0003502932).

(6) **CPI 7,00/22,** ISIN CZ0003502916
CPI 7,00/22 bonds were issued on 6 December 2012. The bonds mature on 6 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1 000 000.
CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 6 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502916).

(7) **CPI 7,00/22,** ISIN CZ0003502924
CPI 7,00/22 bonds were issued on 11 December 2012. The bonds mature on 11 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1 000 000.
CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 11 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502924).

(8) **CPI 7,00/22,** ISIN CZ0003502957
CPI 7,00/22 bonds were issued on 13 December 2012. The bonds mature on 13 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1 000 000.
CPI 7,00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 13 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502957).

(9) **CPI 8,00/42,** ISIN CZ0003502940
CPI 8,00/42 bonds were issued on 17 December 2012. The bonds mature on 17 December 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1 000 000.
CPI 8,00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 17 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7,00/22, ISIN CZ0003502940).

(10) **CPI 6,05/16 (CZK)** ISIN CZ0003510646
CPI 6,05/16 bonds were issued on 29 March 2013. The bonds mature on 29 March 2016. The nominal value of each bond is TCZK 10. The Group could issue bonds up to maximum value of TCZK 1 500 000 with optional issue extension up to TCZK 2 250 000.
CPI 6,05/16 bonds bear the fixed interest rate of 6,05%. 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 6,05/16, ISIN CZ0003510646). The prospectus was approved by the decision of the Czech National Bank on 27 March 2013, reference number 2013/3802/570 that came into force on 27 March 2013.
Bonds were accepted for trading at the Prague Stock Exchange.

(11) **CPI VAR/18** ISIN CZ0003511024
CPI VAR/18 bonds were issued on 26 November 2013. The bonds mature on 26 November 2018. The nominal value of each bond is EUR 1 000 and the total nominal value of bonds issued amounts to EUR 100 000 000.
Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/18, ISIN CZ0003511024). Bonds CPI VAR/18 bear the interest rate based on 12M EURIBOR + 5,5% margin. Interests are due annually, on 26 November respectively.

For interest expense related to bonds issued refer to note 4.10.

Covenants

Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR) are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.
Issued bonds CPI 6,05/16 are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.
Issued bonds CPI VAR/18 are subject to a number of covenants. All covenant ratios were met as at 31 December 2013.

5.11 Bank overdrafts

Bank overdrafts amounted to TCZK 410 094 as at 31 December 2013 (2012 – TCZK 377 081). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

5.12 Trade and other payables

Non-current

	2013	2012
Payables from acquisitions of subsidiaries (1)	--	928 343
Total	**--**	**928 343**

Current

	2013	2012
Advances received (2)	110 045	109 901
Other tax payables (excl. CIT and VAT)	2	--
Deferred income/ revenue	3 382	3 000
Non-financial trade and other payables	**113 429**	**112 901**
Trade payables due to entities under direct or indirect control	764	1 041
Trade payables due to third parties	26 989	70 984
Value added tax payables	1 055	4 312
Payables from acquisitions of subsidiaries	8 919	--
Payables related to assignment of receivables (3)	510 268	1 061 271
Payables from unpaid contribution	47 097	191 069
Other payables due to related parties	48	31 064
Other payables due to third parties	57 601	202 434
Financial trade and other payables	**652 741**	**1 562 175**
Total	**766 170**	**1 675 076**

(1) In 2013 the sole shareholder has acquired these non-current payables from counterparty. Subsequently these non-current payables including interest accrued till the settlement date were offset with the receivable of TCZK 947 741 resulting from the in-kind contribution of the sole shareholder.
(2) Balance both 2013 and 2012 includes advance received from third party of TCZK 101 737 related to specific project to be carried out in 2014.
(3) Decrease in payables related to assignment of receivables relates to offset of mutual receivables and liabilities performed by the Company and CPI BYTY, a.s. as described in note 5.6.

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. The Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenants ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

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.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

The following tables present financial assets as of 31 December 2013 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk profile at 31 December 2013:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	118 090	--	--	118 090
Trade and other receivables	2 142 626	3 590 792	24 517	5 733 418
Loans provided	19 160 815	342 249	--	19 503 064
Other investments	49 475	--	--	49 475
Total	**21 471 006**	**3 933 041**	**24 517**	**25 404 047**

Breakdown of overdue financial assets which are not impaired at 31 December 2013:

	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	4 557	748	2 990 054	13 726	581 707	3 590 792
Loans provided	--	326 593	302	8 339	7 015	342 249
Total	**4 557**	**327 341**	**2 990 356**	**22 065**	**588 722**	**3 933 041**

Credit risk profile at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	1 678 023	--	--	1 678 023
Trade and other receivables	1 484 960	694 278	22 344	2 179 238
Loans provided	17 396 019	116 746	--	17 512 765
Total	**20 559 002**	**811 024**	**22 344**	**21 370 026**

Breakdown of overdue financial assets which are not impaired at 31 December 2012:

	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	3 529	365	573 788	43 942	72 654	694 278
Loans provided	93 827	485	4	8 537	13 893	116 746
Total	**97 356**	**850**	**573 792**	**52 479**	**86 547**	**811 024**

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 honor 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.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

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 summarizes 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 2013

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans drawn from entities under direct or indirect control	9 783 841	148 024	444 073	713 608	306 043	9 979 108	11 590 856
Loans drawn from other related parties	177 165	173 230	8 184	2 045	1 020	185	184 664
Loans from third parties	15 127	2 454	13 445	--	--	--	15 899
Bank overdrafts	410 094	410 094	--	--	--	--	410 094
Bonds issued	13 467 620	469 765	671 398	1 281 558	5 917 668	13 965 256	22 305 646
Trade and other payables	766 170	--	--	--	--	--	766 170
Bills of exchange	544 298	125 513	194 955	270 489	--	--	590 957
Total	**25 164 315**	**1 329 080**	**1 332 055**	**2 267 700**	**6 224 731**	**23 944 549**	**35 864 286**

At 31 December 2012

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans drawn from entities under direct or indirect control	9 539 394	871 334	163 345	348 953	101 455	9 940 444	11 427 531
Loans drawn from other related parties	12 071	1 699	459	11 137	--	--	13 295
Loans from third parties	1 257 076	185 899	1 146 678	3 463	2 124	--	1 338 164
Bank overdrafts	377 081	377 081	--	--	--	--	377 081
Bonds issued	9 797 854	379 305	516 667	688 889	2 391 200	15 017 680	18 993 741
Trade and other payables	2 603 419	1 488 395	186 681	--	1 262 976	--	2 938 052
Bills of exchange	281 690	85 542	149 011	47 137	--	--	281 690
Total	**23 868 585**	**3 389 255**	**2 162 841**	**1 099 579**	**3 757 755**	**24 958 124**	**35 367 554**

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.

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 or could cause future cash flows related to financial instruments to fluctuate.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters 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.

6.3.1 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.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

2013

	Currency	Carrying amount
Cash and cash equivalents	TEUR	2 686
Cash and cash equivalents	TUSD	2
Trade and other receivables	TEUR	45 471
Loans provided	TEUR	32 927
Trade and other payables	TEUR	-12 786
Interest bearing loans and borrowings	TEUR	-14 953
Bonds issued	TEUR	-173 996
Net position	**TEUR**	**-120 651**
Net position	**TUSD**	**2**

2012

	Currency	Carrying amount
Cash and cash equivalents	TEUR	453
Cash and cash equivalents	TUSD	2
Trade and other receivables	TEUR	341
Loans provided	TEUR	83 903
Trade and other payables	TEUR	-2 994
Interest bearing loans and borrowings	TEUR	-16 986
Bonds issued	TEUR	-73 540
Net position	**TEUR**	**-8 823**
Net position	**TUSD**	**2**

Sensitivity analysis – exposure to currency risk

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR or USD would have the below effect to profit/ (loss) or equity of the Company providing all other variables remaining constant:

2013

		Original currency	TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	2 686	73 664	81 030	7 366	66 297	-7 366
	TUSD	2	40	44	4	36	-4
Trade and other receivables	TEUR	45 471	1 247 042	1 371 746	124 704	1 122 338	-124 704
Loans provided	TEUR	32 927	903 023	993 325	90 302	812 721	-90 302
Trade and other payables	TEUR	-12 786	-350 656	-385 722	-35 066	-315 590	35 066
Interest bearing loans and borrowings	TEUR	-14 953	-410 086	-451 095	-41 009	-369 077	41 009
Bonds issued	TEUR	-173 996	-4 771 840	-5 249 024	-477 184	-4 294 656	477 184
Net exposure to currency risk	**TEUR**	-120 651	-3 308 854	-3 639 739	-330 885	-2 977 968	330 885
Net exposure to currency risk	**TUSD**	**2**	**40**	**44**	**4**	**36**	**-4**
Impact on profit/loss	**TCZK**				**-330 881**		**330 881**

2012

		Original currency	TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	453	11 388	12 527	1 139	10 249	-1 139
	TUSD	2	38	42	4	34	-4
Trade and other receivables	TEUR	341	8 573	9 430	857	7 716	-857
Loans provided	TEUR	83 903	2 109 321	2 320 253	210 932	1 898 389	-210 932
Trade and other payables	TEUR	-2 994	-75 269	-82 796	-7 527	-67 742	7 527
Interest bearing loans and borrowings	TEUR	-16 986	-427 028	-469 731	-42 703	-384 325	42 703
Bonds issued	TEUR	-73 540	-1 848 796	-2 033 675	-184 879	-1 663 917	184 879
Net exposure to currency risk	**TEUR**	-8 823	-221 811	-243 992	-22 181	-199 630	22 181
Net exposure to currency risk	**TUSD**	**2**	**38**	**42**	**4**	**34**	**-4**
Impact on profit/(loss)	**TCZK**				**-22 177**		**22 177**

6.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is described under notes 5.5, 5.9 and 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, and no interest-bearing financial instrument is measured at fair value through profit and loss 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.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A 10% change in the interest rate would have the below effect to profit/ (loss) or equity of the Company providing all other variables remaining constant:

2013

	Effective interest rate	Average amount	Interest calculated
Bonds issued with variable interest rate	6,37%	6 860 220	436 685
Total		**6 860 220**	**436 685**

2013

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Bonds issued with variable interest rate	7,37%	505 287	-68 602	5,37%	368 083	68 602
Total		**505 287**	**-68 602**		**368 083**	**68 602**

2012

	Effective interest rate	Average amount	Interest calculated
Bonds issued with variable interest rate	6,82%	4 679 220	319 123
Total		**4 679 220**	**319 123**

2012

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Bonds issued with variable interest rate	7,50%	350 941	-31 818	6,14%	287 305	31 818
Total		**350 941**	**-31 818**		**287 305**	**31 818**

Effective interest rate and re-pricing analysis

All interest-bearing financial assets are provided at fixed interest rates. 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 re-price.

2013

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	6,86%	9 783 841	--	--	9 783 841
Loans drawn from other related parties	6,00%	15 127	--	--	15 127
Loans from third parties	5,70%	177 165	--	--	177 165
Bank overdrafts	7,00%	410 094	--	--	410 094
Bonds issued	6,72%	13 467 620	--	6 988 984	6 478 636
Total		**23 853 847**	**--**	**6 988 984**	**16 864 863**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

2012

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	7,50%	9 539 394	--	--	9 539 394
Loans drawn from other related parties	7,01%	12 071	--	--	12 071
Loans drawn from third parties	7,28%	1 257 076	--	--	1 257 076
Bank overdrafts	7,00%	377 081	--	--	377 081
Bonds issued	7,12%	9 679 220	--	4 679 220	5 000 000
Total		**20 864 482**	**--**	**4 679 220**	**16 185 622**

6.4 Capital management

The Company's objective when managing capital is 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.

The Company 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 2013.

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 2013 and at 31 December 2012 were as follows:

	2013	2012
Debt	25 263 986	23 871 846
Equity	16 426 447	12 837 467
Total	**154%**	**186%**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

6.5 Financial instruments and fair values

Categories of financial instruments

Financial assets of the Company comprise non-current and current loans provided, debentures, trade and other receivables, cash and cash equivalents, which are all classified as loans and receivables.

Financial liabilities comprise interest bearing loans and borrowings, bonds issued, bank overdraft, and trade and other payables, provisions and current income tax liabilities, which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of bonds issued.

The following table analyses within the fair value hierarchy the Company’s assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed.

	Fair value hierarchy (Level)	Carrying amount		Fair value	
		2013	**2012**	**2013**	**2012**
Financial assets					
Loans provided	Level 3	19 338 027	17 512 765	18 039 853	17 512 765
Debentures	Level 3	37 918	--	41 676	--
Bills of exchange	Level 3	165 037	--	164 049	--
		19 540 982	**17 512 765**	**18 245 578**	**17 512 765**
Financial liabilities					
Bonds issued	Level 3	13 467 620	9 797 854	14 123 451	10 479 264
		13 467 620	**9 797 854**	**14 123 451**	**10 479 264**

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Fair value hierarchy

A number of the Company´s accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
(2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
(3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2013 and at 31 December 2012 the Company did not held any financial instruments carried at fair value in the statement of financial position.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

7 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 key management personnel and members of Board of Directors did not obtain any remuneration from the Company in 2013 (2012 - TCZK 0).

Breakdown of balances between the Company and related parties is as follows:

Non-current receivables as at 31 December

	2013	2012
CPI BYTY, a.s.	--	249 907
Receivables acquired through assignment from entities under direct or indirect control	--	**249 907**
STRM Group (1)	--	611 245
Receivables acquire through assignment from other related parties	--	**611 245**

Trade receivables as at 31 December – current

	2013	2012
4B Investments, a.s. (4B Property, s.r.o.) (2)	1 687	1 676
Balvinder, a.s.	11	--
Best Properties South, a.s.	10 409	--
Carpenter Invest, a.s.	11	--
CB Property Development, a.s.	1 026	1 158
CPI - Facility, a.s.	20 862	--
CPI - Real Estate, a.s.	13	--
CPI City Center ÚL, a.s.	3 623	3 620
CPI Hotels Properties, a.s.	1 216	1 203
CPI Jihlava Shopping, a.s.	1 690	1 673
CPI Management, s.r.o.	726	4 592
CPI Reality, a.s.	38	4 389
CPI Retails FIVE, a.s.	5 242	6 718
CPI Retails FOUR, a.s.	1 414	7 889
CPI Retails ONE, a.s.	6 831	7 531
CPI Retails THREE, a.s.	2 980	4 771
CPI Retails TWO, a.s.	13	4 819
CPI Services, a.s.	14 347	15 591
Komárno Property Development, a.s.	3 751	3 593
Lipt. Mikuláš Property Development, a.s.	3 430	3 458
Marissa Gama, a.s.	15	3 872
Marissa West, a.s.	813	1 393

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	2013	2012
Michalovce Property Development, a.s.	3 239	3 117
MUXUM, a.s.	2 593	3 130
NERONTA, a.s.	4 155	4 381
Nymburk Property Development, a.s.	169	2
Považská Bystrica Property Development, a.s.	4 318	4 114
Prievidza Property Development, a.s.	3 418	3 290
Ružomberok Property Development	2 498	2 354
Třinec Property Development, a.s.	157	3 171
Zvolen Property Development, a.s.	3 654	3 649
VT Holding, a.s. (Horova Immo s.r.o.) (2)	13	--
Others	1 849	551
Total trade receivables due from entities under direct or indirect control	**106 211**	**105 705**
STRM Group (1)	--	942
Others (3)	--	28
Trade receivables due from other related parties	**--**	**970**

Other receivables as at 31 December – current

	2013	2012
Baudry, a.s.	376 000	376 000
Best Properties South, a.s.	45 063	--
CPI BYTY, a.s.	--	85 816
CPI Finance Netherland B.V.	850 000	--
CPI Lambda, a.s.	2 985 803	--
CPI Reality, a.s.	--	9 250
Malerba, a.s.	4 245	4 245
MUXUM, a.s.	6 917	6 917
Others	1 219	1 219
Total other receivables due from entities under direct or indirect control	**4 269 247**	**483 447**
Radovan Vítek	450 010	4 329
Others (3)	266 188	--
Total other receivables due from other related parties	**716 198**	**4 329**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Loans provided
2013

	< 1 year	2-5 years	> 5 years	Total
4B Investments, a.s. (2)	355	--	--	355
ACGATE Kft.	2 051	--	421 852	423 903
Balvinder, a.s.	118	18 747	--	18 865
Baudry Beta, a.s.	7 742	--	--	7 742
Baudry, a.s.	421	108 425	--	108 846
Best Properties South, a.s.	52 757	--	--	52 757
BPT Development, a.s.	1 877	14 329	--	16 206
Brandýs Logistic, a.s.	629	--	--	629
Březiněves, a.s.	86 370	143 861	--	230 231
Camuzzi, a.s.	3 714	--	13 127	16 841
Carpenter Invest, a.s.	38 782	--	88 395	127 177
CB Property Development, a.s.	43 270	177 506	--	220 776
Conradian, a.s.	3 897	22 542	55 546	81 985
CPI - Bor, a.s.	72	--	--	72
CPI - Facility, a.s.	--	17 319	--	17 319
CPI - Krásné Březno, a.s.	40	--	--	40
CPI - Land Development, a.s.	1 163	--	--	1 163
CPI - Orlová, a.s.	458 147	--	--	458 147
CPI - Real Estate, a.s.	4 225	52 844	--	57 069
CPI - Štupartská, a.s.	5 953	--	--	5 953
CPI Alfa, a.s.	1 733	67 800	--	69 533
CPI BYTY, a.s.	13 573	--	145 311	158 884
CPI City Center ÚL, a.s.	1 403	146 746	--	148 149
CPI Delta, a.s.	48 655	--	--	48 655
CPI Epsilon, a.s.	--	36	--	36
CPI FRANCE	1 311 903	--	--	1 311 903
CPI Group, a.s.	28 389	732 599	--	760 988
CPI Heli, s.r.o.	920	37 076	--	37 996
CPI Hotels Properties, a.s.	1 048	16 023	--	17 071
CPI Jihlava Shopping, a.s.	172	--	--	172
CPI Park Mlýnec, a.s.	379 631	--	--	379 631
CPI Park Žďárek, a.s.	3 711	--	--	3 711
CPI Retail Portfolio III, s.r.o.	736	--	--	736
CPI Retails FIVE, a.s.	14 532	--	88 244	102 776
CPI Retails FOUR, a.s.	17 471	--	112 476	129 947
CPI Retails THREE, a.s.	14 630	--	104 489	119 119
CPI Retails TWO, a.s.	15 843	--	71 186	87 029
CPI Services, a.s.	96 332	--	--	96 332
CPI Shopping MB, a.s.	28 074	285 608	--	313 682
CPI Shopping Teplice, a.s.	32 598	336 296	--	368 894
CPI West, s.r.o.	257	1 536	--	1 793
CURITIBA a.s.	385 172	418 221	--	803 393

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	< 1 year	2-5 years	> 5 years	Total
Čadca Property Development, s.r.o.	4 076	--	33 757	37 833
ELAMOR, a.s.	16	219	--	235
Farhan, a.s.	54 219	511 119	--	565 338
FL Property Development, a.s.	627 413	--	--	627 413
Gadwall Sp. z o.o.	1 026	75 585	122 655	199 266
Hraničář, a.s.	82 398	--	241 735	324 133
Kerina, a.s.	1 441	35 119	--	36 560
Komárno Property Development, a.s.	5 854	--	45 765	51 619
Liptovský Mikuláš Property Development, a.s.	5 385	--	45 507	50 892
Lockhart, a.s.	14 542	--	--	14 542
Malerba, a.s.	12 753	216 553	--	229 306
Marissa, a.s.	120	587 857	--	587 977
Michalovce Property Development, a.s.	6 198	--	47 267	53 465
Modřanská Property, a.s.	22 401	187 627	--	210 028
NERONTA, a.s.	92 392	--	655 458	747 850
Olomouc City Center, a.s.	156	--	--	156
ORCO APARTMENTS, Sp. z o.o.	938	--	112 222	113 160
Pelhřimov Property Development, a.s.	27 322	--	--	27 322
Považská Bystrica Property Development, a.s.	4 672	--	38 272	42 944
Prievidza Property Development, a.s.	4 083	--	32 607	36 690
Příbor Property Development, s.r.o.	1 141	--	6 039	7 180
Příkopy Property Development, a.s.	25 242	--	--	25 242
Ružomberok Property Development, a.s.	4 587	--	37 455	42 042
SPH Properties Sp. z o.o.	3 008	--	359 202	362 210
Statenice Property Development, a.s.	200	7 599	--	7 799
Strakonice Property Development, a.s.	560 589	--	--	560 589
Svitavy Property Alfa, a.s.	18 434	132 039	--	150 473
Svitavy Property Development, a.s.	441 550	--	--	441 550
Telč Property Development, a.s.	361 014	--	--	361 014
Trebišov Property Development, s.r.o.	6 130	--	58 842	64 972
Trutnov Property Development, a.s.	6 987	--	117 035	124 022
Třinec Property Development, a.s.	7 725	--	47 184	54 909
Týniště Property Development, s.r.o.	642 334	--	--	642 334
U Svatého Michala, a.s.	4 937	--	--	4 937
VERETIX a.s.	2 067	--	572 376	574 443
Vigano, a.s.	44 057	198 890	--	242 947
VM Property Development, a.s.	300 893	--	--	300 893
VT Holding, a.s. (2)	7 260	--	--	7 260
Vyškov Property Development, a.s.	4 902	--	--	4 902
WWG2013 Sp. z o.o.	1 298	--	259 635	260 933
Zvolen Property Development, a.s.	5 215	--	42 429	47 644
Žďár Property Development, a.s.	601 082	--	--	601 082

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	< 1 year	2-5 years	> 5 years	Total
Ždírec Property Development, a.s.	905	--	10 348	11 253
Volanti Ltd.	10 687	861 565	--	872 252
Total loans provided to entities under direct or indirect control	**7 138 014**	**5 411 686**	**3 986 416**	**16 536 116**
Milada Malá	199 524	1 757 511	--	1 957 035
STRM Group (1)	317	12 593	--	12 910
Total loans provided to other related parties	**199 841**	**1 770 104**	**--**	**1 969 945**

2012

	<1 year	2-5 years	>5 years	Total
Balvinder, a.s.	1 806	20 400	--	22 206
Baudry Beta, a.s.	7 097	--	--	7 097
Baudry, a.s.	208	101 996	--	102 204
BPT Development, a.s.	1 265	13 952	--	15 217
Brandýs Logistic, a.s.	629	--	--	629
Březiněves, a.s.	78 918	148 300	--	227 218
Camuzzi, a.s.	3 058	11 500	--	14 558
Carpenter Invest, a.s.	35 270	--	118 505	153 775
CB Property Development, a.s.	33 972	177 506	--	211 478
Conradian, a.s.	--	--	75 338	75 338
CPI - Bor, a.s.	72	--	--	72
CPI - Facility, a.s.	--	20 989	--	20 989
CPI - Krásné Březno, a.s.	40	--	--	40
CPI - Land Development, a.s.	5 312	5 000	--	10 312
CPI - Orlová, a.s.	1 134 204	--	--	1 134 204
CPI - Real Estate, a.s.	27 677	104 046	--	131 723
CPI - Štupartská, a.s.	21 354	29 563	--	50 917
CPI Alfa, a.s.	4 940	67 800	--	72 740
CPI BYTY, a.s.	176 185	55 236	--	231 421
CPI City Center ÚL, a.s.	1 394	67 229	--	68 623
CPI Delta, a.s.	125 700	--	--	125 700
CPI France, a SASU	1 035 447	--	--	1 035 447
CPI Heli, s.r.o.	--	12 002	--	12 002
CPI Hotels Properties, a.s.	48 701	8 051	--	56 752
CPI Jihlava Shopping, a.s.	172	--	--	172
CPI Park Mlýnec, a.s.	379 733	--	--	379 733
CPI Park Žďárek, a.s.	3 691	--	--	3 691
CPI Reality, a.s.	4 550	--	--	4 550
CPI Retails FIVE, a.s.	5 138	--	80 892	86 030
CPI Retails FOUR, a.s.	5 562	103 105	--	108 667
CPI Retails ONE, a.s.	689	--	--	689
CPI Retails THREE, a.s.	5 156	95 783	--	100 939
CPI Retails TWO, a.s.	5 426	--	111 186	116 612
CPI Services, a.s.	101 832	--	--	101 832

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	<1 year	2-5 years	>5 years	Total
CPI Shopping MB, a.s.	5 670	165 608	--	171 278
CPI Shopping Teplice, a.s.	6 378	186 296	--	192 674
CPI West, s.r.o.	117	1 408	--	1 525
Čadca Property Development, s.r.o.	151	--	43 258	43 409
Družstvo Land	15 295	46 062	--	61 357
ELAMOR, a.s.	7	75	--	82
Farhan, a.s.	16 456	511 120	--	527 576
FL Property Development, a.s.	627 635	--	--	627 635
Horova Immo s.r.o. (2)	5 147	--	--	5 147
Hraničář, a.s.	64 425	--	301 735	366 160
Kerina, a.s.	15	4 720	--	4 735
Komárno Property Development, a.s.	1 757	--	36 923	38 680
Lipt. Mikuláš Property Development, a.s.	1 267	--	37 496	38 763
Lockhart, a.s.	15 628	--	--	15 628
Malerba a.s.	35 683	235 628	--	271 311
Marissa West, a.s.	8 983	--	--	8 983
Marissa, a.s.	846	1 005 194	--	1 006 040
MB Property Development, a.s.	2	--	--	2
Michalovce Property Development, a.s.	1 665	--	42 817	44 482
Modřanská Property, a.s.	11 602	103 611	--	115 213
MUXUM, a.s.	143	--	--	143
NERONTA, a.s.	32 913	--	600 846	633 759
Nymburk Property Development, a.s.	1 636	59 800	--	61 436
OC Nová Zdaboř a.s.	1	--	--	1
Olomouc City Center, a.s.	156	--	--	156
Považská Bystrica Property Development, a.s.	1 269	--	30 336	31 605
Prievidza Property Development, a.s.	1 090	--	27 011	28 101
Příbor Property Development, s.r.o.	1 137	--	6 039	7 176
Příkopy Property Development, a.s.	24 741	--	--	24 741
RK Building s.r.o.	40	973	--	1 013
Ružomberok Property Development, a.s.	1 181	--	30 884	32 065
Strakonice Property Development, a.s.	562 147	--	--	562 147
Svitavy Property Alfa, a.s.	11 681	132 039	--	143 720
Svitavy Property Development, a.s.	441 687	--	--	441 687
Telč Property Development, a.s.	363 724	8 000	--	371 724
Trebišov Property Development, s.r.o.	215	--	61 371	61 586
Trutnov Property Development, a.s.	2 071	--	47 898	49 969
Třinec Property Development, a.s.	2 419	--	52 782	55 201
Týniště Property Development, s.r.o.	641 840	--	--	641 840
U svatého Michala, a.s.	4 841	--	--	4 841
Vigano, a.s.	37 905	--	259 220	297 125
VM Property Development, a.s.	300 922	--	--	300 922
VT Alfa, a.s. (2)	5 802	--	--	5 802
VT Holding, a.s. (2)	61 692	--	--	61 692

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	<1 year	2-5 years	>5 years	Total
Vyškov Property Development, a.s.	9 026	--	--	9 026
Zvolen Property Development, a.s.	1 384	--	35 407	36 791
Žďár Property Development, a.s.	702 151	--	--	702 151
Ždírec Property Development, a.s.	339	--	11 048	11 387
MAPON, a.s.	1 900	--	--	1 900
Total loans provided to entities under direct or indirect control	**7 289 980**	**3 502 992**	**2 010 992**	**12 803 964**
Milada Malá	23 260	2 134 729	166 363	2 324 352
STRM Group (1)	7 479	208 217	--	215 696
Robberg, a.s.	2 547	123 190	--	125 737
Others (3)	29 895	--	--	29 895
Total loans provided to other related parties	**63 181**	**2 466 136**	**166 363**	**2 695 680**

Current payables related to assignment of receivables at 31 December

	2013	2012
CPI BYTY, a.s.	101 607	562 451
Carpenter Invest, a.s.	--	32 440
CPI Reality, a.s.	244 515	262 244
CPI Services, a.s.	15 856	15 856
Český Těšín Property Development	7 666	7 863
Družstvo Land	15 827	15 493
Komárno Property Development,	4 520	4 203
Liptovský Mikuláš Property Development, a.s.	1 469	1 416
Malerba, a.s.	--	47 738
Michalovce Property Development, a.s.	47 410	43 506
Nymburk Property Development, a.s.	444	444
Považská Bystrica Property Development, a.s.	46 516	42 677
Prague Development Holding, a.s.	--	--
Prague Property Development, a.s.	11 186	11 186
Prievidza Property Development, a.s.	7 306	6 713
Ružomberok Property Development, a.s.	1 982	1 910
Vyškov Property Development, a.s.	--	2 124
Zvolen Property Development, a.s.	2 281	2 198
Others	1 683	809
Total	**510 268**	**1 061 271**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Payables from unpaid contribution as at 31 December

	2013	2012
U svatého Michala, a.s.	47 000	47 000
VT Holding, a.s. (2)	--	144 000
Other	97	69
Total payables from unpaid contribution	**47 097**	**191 069**

Trade payables as at 31 December

	2013	2012
CPI Management, s.r.o.	764	746
CPI Reality, a.s.	--	295
Total payables from unpaid contribution	**764**	**1 041**

Liabilities related to bonds issued as at 31 December

	2013	2012
BAYTON Gama, a.s.	568 000	568 000
CPI - Orlová, a.s.	68 867	130 000
CPI - Real Estate, a.s.	--	200 000
CPI Hotels Properties, a.s.	--	50 000
CPI Park Mlýnec, a.s.	375 000	375 000
CPI Reality, a.s.	76 000	76 000
FL Property Development, a.s.	625 000	625 000
Strakonice Property Development, a.s.	522 473	560 000
Svitavy Property Development, a.s.	440 000	440 000
Telč Property Development, a.s.	360 000	360 000
Týniště Property Development, a.s.	640 000	640 000
VM Property Development, a.s.	300 000	300 000
Žďár Property Development, a.s.	600 000	700 000
Total liabilities from bonds issued	**4 575 340**	**5 024 000**
BAYTON Gama, a.s.	86 923	69 929
CPI - Real Estate, a.s.	4 786	12 848
CPI BYTY, a.s.	4 704	15 165
CPI Park Mlýnec, a.s.	1 750	1 896
CPI Reality, a.s.	16 392	13 225
FL Property Development, a.s.	2 917	3 160
Strakonice Property Development, a.s.	1 930	2 287
Svitavy Property Development, a.s.	1 626	1 797
Telč Property Development, a.s.	1 190	1 330
Týniště Property Development, a.s.	2 116	2 364
VM Property Development, a.s.	867	1 000
Žďár Property Development, a.s.	1 733	2 333
Others	200	1 080

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	2013	2012
Total accrued interest	**127 134**	**128 414**
Total liabilities related to bonds	**4 702 474**	**5 152 414**

Other payables to other related parties as at 31 December

	2013	2012
Other	--	31 064
Total	--	**31 064**

Loans drawn from entities under direct or indirect control/other related parties 2013

	< 1 year	2-5 years	> 5 years	Total
Balvinder, a.s.	663	22 152	--	22 815
BAYTON Beta, a.s.	912	33 924	--	34 836
BAYTON Gama, a.s.	614	19 384	--	19 998
Beroun Property Alfa, a.s.	51	1 875	--	1 926
Brandýs Logistic, a.s.	1 656	11 105	--	12 761
Carpenter Invest, a.s.	1 003	14 237	--	15 240
CB Property Development, a.s.	312	1 943	--	2 255
Conradian, a.s.	2 755	--	23 576	26 331
CPI - Bor, a.s.	30 020	13 668	--	43 688
CPI - Land Development, a.s.	1 036	37 098	--	38 134
CPI - Orlová, a.s.	13 888	--	--	13 888
CPI - Zbraslav, a.s.	5 653	--	40 726	46 379
CPI Beta, a.s.	165	1 900	--	2 065
CPI Delta, a.s.	165	1 900	--	2 065
CPI Epsilon, a.s.	27	--	2 000	2 027
CPI Finance Netherland B.V.	372 158	--	8 004 837	8 376 995
CPI Hotels Properties, a.s.	4 208	--	77543	81 751
CPI Jihlava Shopping, a.s.	10 348	--	--	10 348
CPI Lambda, a.s.	27	--	1 965	1 992
CPI Management, s.r.o.	1 200	58 700	--	59 900
CPI Národní, s.r.o.	3 639	52 147	--	55 786
CPI North, s.r.o.	3	--	185	188
CPI Park Mlýnec, a.s.	237	6 069	--	6 306
CPI Park Žďárek, a.s.	202	6 027	--	6 229
CPI Reality, a.s.	47 200	180 104	--	227 304
CPI South, a.s.	3	--	185	188
Hraničář, a.s.	6 067	47 404	--	53 471
Kerina, a.s.	363	--	--	363

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	< 1 year	2-5 years	> 5 years	Total
Komárno Property Development, a.s.	1 168	23 241	--	24 409
Marissa Lambda, a.s.	14	2 065	--	2 079
Marissa North, a.s.	14	2 065	--	2 079
Marissa Omega, a.s.	14	2 065	--	2 079
Marissa Omikrón, a.s.	14	2 065	--	2 079
Marissa Sigma, a.s.	14	2 061	--	2 075
Marissa South, a.s.	14	2 065	--	2 079
Marissa Tau, a.s.	14	2 065	--	2 079
Marissa Théta, a.s.	14	2 095	--	2 109
Marissa West, a.s.	39 873	--	--	39 873
Marissa Yellow, a.s.	14	2 065	--	2 079
Marissa Ypsilon, a.s.	14	2 065	--	2 079
MUXUM, a.s.	4 293	--	76 876	81 169
NERONTA, a.s.	1 131	23 825	--	24 956
Nymburk Property Development, a.s.	780	--	20 964	21 744
ORCO APARTMENTS, Sp. z o.o.	524	74 675	--	75 199
Považská Bystrica Property Development, a.s.	1 197	23 825	--	25 022
Prague Property Development, s.r.o.	4 540	77 952	--	82 492
Prievidza Property Development, a.s.	1 168	23 241	--	24 409
Příkopy Property Development, a.s.	2 201	78 845	--	81 046
Quadrio Residence, s.r.o.	3	--	185	188
Rosendale Management Ltd	18 704	--	--	18 704
Ružomberok Property Development, a.s.	1 168	23 241	--	24 409
Svitavy Property Alfa, a.s.	1 912	18 624	--	20 536
Vigano, a.s.	1 082	--	26 880	27 962
VT Holding, a.s. (2)	661	--	--	661
Zvolen Property Development, a.s.	1 197	23 825	--	25 022
Total loans from entities under direct or indirect control	**586 313**	**921 606**	**8 275 922**	**9 783 841**
Others (3)	15 127	--	--	15 127
Total loans from other related parties	**15 127**	**--**	**--**	**15 127**

2012

	< 1 year	2-5 years	> 5 years	Total
BAYTON Beta, a.s.	26	20 424	--	20 450
BAYTON Gama, a.s.	24	19 384	--	19 408
Beroun Property Alfa, a.s.	13	1 900	--	1 913
Brandýs Logistic, a.s.	1 093	11 200	--	12 293
Carpenter Invest, a.s.	532	11 237	--	11 769
CB Property Development, a.s.	213	1 943	--	2 156
Conradian, a.s.	1 869	21 576	--	23 445
CPI - Bor, a.s.	26 061	13 668	--	39 729
CPI - Zbraslav, a.s.	4 480	35 226	--	39 706

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	< 1 year	2-5 years	> 5 years	Total
BAYTON Beta, a.s.	26	20 424	--	20 450
CPI Beta, a.s.	69	1 900	--	1 969
CPI Delta, a.s.	69	1 900	--	1 969
CPI Finance Netherland B.V.	716 282	--	8 114 648	8 830 930
CPI Hotels Properties, a.s.	41 216	--	--	41 216
CPI Jihlava Shopping, a.s.	80 673	--	--	80 673
CPI Reality, a.s.	40 567	144 773	--	185 340
Český Těšín Property Development, a.s.	101	--	--	101
Horova Immo s.r.o. (2)	661	--	--	661
Hraničář, a.s.	4 487	4 806	--	9 293
Kerina, a.s.	363	--	--	363
Marissa West, a.s.	36 513	--	--	36 513
MUXUM, a.s.	43 400	--	--	43 400
OC Nová Zdaboř a.s.	31	--	--	31
Prague Property Development, s.r.o.	2 877	78 302	--	81 179
Svitavy Property Alfa, a.s.	11 466	8 126	--	19 592
Vigano, a.s.	3 294	14 880	--	18 174
Balvinder, a.s.	939	16 182	--	17 121
Total loans provided to entities under direct or indirect control	**1 017 319**	**407 427**	**8 114 648**	**9 539 394**
Others (3)	1 546	10 525	--	12 071
Total loans from other related parties	**1 546**	**10 525**	--	**12 071**

During the year, the Company entered into the following transactions with related parties:

Sales

	2013	2012
CPI BYTY, a.s.	5	6
CPI Management, s.r.o.	858	935
CPI Services, a.s.	10 184	10 941
Total revenues related entities under direct or indirect control	**11 047**	**11 882**
Total sales	**11 047**	**11 882**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Interest income

	2013	2012
Farhan, a.s.	41 423	18 318
Hraničář, a.s.	18 659	23 719
Malerba, a.s.	13 060	17 812
CB Property Development, a.s.	15 298	15 257
Carpenter Invest, a.s.	5 673	7 829
Lockhart, a.s.	--	7 485
CPI - Land Development, a.s.	740	4 488
U svatého Michala, a.s.	--	4 319
CPI - Štupartská, a.s.	207	6 424
CPI Services, a.s.	--	164
Modřanská Property, a.s.	10 948	4 315
Baudry Beta, a.s. (Baumarkt České Budějovice s.r.o.)	--	3 060
Kerina, a.s.	1 426	15
Svitavy Property Development, a.s.	30 659	4 394
CPI - Real Estate, a.s.	6 257	6 457
Příkopy Property Development, a.s. (Bageleot, a.s.)	2 048	12 942
CPI Park Mlýnec, a.s.	26 241	2 702
Vyškov Property Development, a.s.	--	2 818
CPI Park Žďárek, a.s.	175	1 969
CPI - Orlová, a.s.	35 206	5 303
Družstvo Land	322	3 408
Balvinder, a.s.	696	2 019
Baudry, a.s.	6 751	--
Březiněves, a.s.	7 510	7 308
Camuzzi, a.s.	656	1 726
Conradian, a.s.	3 897	5 717
CPI Alfa, a.s.	6 874	4 940
CPI BYTY, a.s.	13 573	9 119
CPI City Center ÚL, a.s.	4 502	--
CPI Hotels Properties, a.s.	5 041	2 488
CPI Retails FIVE, a.s.	8 473	6 009
CPI Retails FOUR, a. s.	10 800	5 646
CPI Retails ONE, a.s.	--	1 039
CPI Retails THREE, a.s.	8 529	6 172
CPI Retails TWO, a.s.	10 307	4 774
CPI Shopping MB, a.s.	22 404	5 137
CPI Shopping Teplice, a.s.	26 220	5 792
FL Property Development, a.s.	43 507	2 636
Komárno Property Development, a.s.	4 187	1 757
Liptovský Mikuláš Property Development, a.s.	3 791	1 267
MAPON, a.s.	--	3 154
Marissa, a.s.	211 372	--
Michalovce Property Development, a.s.	4 150	1 665

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

	2013	2012
NERONTA, a. s.	54 017	32 917
Nymburk Property Development, a.s.	2 430	1 636
Považská Bystrica Property Development, a.s.	3 632	1 269
Prievidza Property Development, a.s.	3 199	1 090
Ružomberok Property Development, a.s.	3 582	1 181
Strakonice Property Development, a.s.	38 785	2 466
Svitavy Property Alfa, a.s.	11 436	9 072
Telč Property Development, a.s.	25 160	1 791
Trutnov Property Development, a.s.	4 917	2 071
Třinec Property Development, a.s.	5 086	2 419
Týniště Property Development, s.r.o.	44 624	1 840
Vigano, a.s.	11 416	15 705
VT Holding, a.s. (2)	1 565	4 420
VT Alfa, a.s. (2)	--	5 061
Žďár Property Development, a.s.	55 425	2 561
Zvolen Property Development, a.s.	4 027	1 384
CPI FRANCE	34 622	--
Others	42 743	4 993
Total interest income related to entities under direct or indirect control	**958 248**	**323 439**
Radovan Vítek	26	--
Milada Malá	303 208	95 744
STRM Group (1)	6 646	7 153
Others (3)	--	29 072
Total interest income related to other related parties	**309 880**	**131 969**
Total interest income	**1 268 128**	**455 408**

Purchases

	2013	2012
CPI Management, s.r.o.	600	612
Total purchases	**600**	**612**

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Interest expense

	2013	2012
CPI Reality, a.s.	6 632	9 227
CPI Finance Netherland B.V.	558 043	217 451
CPI - Real Estate, a.s.	--	9 796
Hraničář, a.s.	1 580	841
CPI - Zbraslav, a.s.	1 180	1 124
CPI Jihlava Shopping, a.s.	2 396	7 754
Marissa West, a.s.	3 359	3 383
MUXUM, a.s.	3 200	1 003
Prague Property Development, s.r.o.	1 663	1 857
Třinec Property Development, a.s.	--	1 437
Vigano, a.s.	1 082	1 148
BAYTON Gama, a.s.	590	13 807
CPI Hotels Properties, a.s.	3 165	1 189
CPI Park Mlýnec, a.s.	237	1 896
FL Property Development, a.s.	--	3 160
Strakonice Property Development, a.s.	--	2 287
Svitavy Property Development, a.s.	--	1 797
Telč Property Development, a.s.	--	1 330
Týniště Property Development, s.r.o.	--	2 364
VM Property Development, a.s.	--	1 000
Žďár Property Development, a.s.	--	2 333
Others	22 444	9 693
Total interest expense related to entities under direct or indirect control	**605 571**	**295 877**
Others (3)	1 846	1 258
Total interest income related to other related parties	**1 846**	**1 258**
Total interest expense	**607 417**	**297 135**

(1) STRM Property, a.s. as parent

(2) On 29 March 2012, the Company acquired remaining 50% stake in VT Holding, a.s., including 100% share in its subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s. As a result of the acquisition the Company has increased its ownership interest to 100%.

(3) Other related 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., Zacari, a.s.

Acquisitions from related parties

In 2013 the Group has acquired from entities controlled by close family members of the sole shareholder nine ENDURANCE Companies for total consideration paid of TCZK 1 688 846.

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

8 Contingencies, guarantees provided

8.1 Contingent liabilities

The Company provides following guarantees to its subsidiaries at 31 December 2013.

Subsidiary	Guarantee	Carrying amount of related liability at 31 December 2013 in TCZK	Carrying amount of related liability at 31 December 2012 in TCZK
4B Investments, a.s.	Guarantee statement	114 108	--
Balvinder, a.s.	Blank bill	169 441	174 594
Baudry Beta, a.s.	Guarantee statement	308 212	294 249
BAYTON Alfa, a.s.	Sponsorial agreement	187 018	--
Beroun Property Development, a.s.	Blank bill	266 263	278 517
Besnet Centrum, a.s.	Blank bill	271 343	--
Best Properties South, a. s.	Blank bill	1 262 723	--
Carpenter Invest, a.s.	Guarantee statement	103 155	107 565
CB Property Development, a.s.	Guarantee statement	754 188	729 060
Conradian, a.s.	Blank bill	114 909	117 554
CPI - Real Estate, a.s.	Assumption for receivables	133 928	169 651
CPI - Štupartská, a.s.	Assumption for receivables, blank bill	98 000	100 000
CPI Alfa, a.s.	Guarantee statement; Blank bill	279 000	--
CPI BB Centrum, a.s.	Blank bill	1 311 491	--
CPI BYTY, a.s.	Blank bill	3 000 000	2 947 571
CPI Delta, a.s.	Blank bill	90 163	--
CPI Jihlava Shopping, a.s.	Guarantee statement	1 345 739	--
CPI Národní, s.r.o.	Guarantee statement	399 557	--
CPI Retail Portfolio III, s.r.o	Guarantee statement; Blank bill	236 548	--
CPI Retails FIVE, a.s.	Guarantee statement	--	212 784
CPI Retails FOUR, a.s.	Guarantee statement, blank bill	295 789	287 233
CPI Retails ONE, a.s.	Guarantee statement	222 235	218 904
CPI Retails THREE, a.s.	Guarantee statement	194 816	189 584
CPI Retails TWO, a.s.	Guarantee statement	182 291	178 796
Hraničář, a.s.	Blank bill	206 736	231 400
Komárno Property Development, a.s.	Guarantee statement	82 047	--
LD Praha, a.s.	Sponsorial agreement	19 617	--
Lipt. Mikuláš Property Development, a.s.	Guarantee statement	87 321	--
Lockhart, a.s.	Blank bill	463 392	448 950
Luxembourg Plaza, a.s.	Blank bill	1 077 329	--
Marissa Gama, a.s.	Guarantee statement	1 222 032	--
Michalovce Property Development, a.s.	Guarantee statement	72 853	--
MUXUM, a.s.	Blank bill, guarantee statement	154 715	175 664
NERONTA, a.s.	Guarantee statement	1 196 631	1 164 403
Nymburk Property Development, a.s.	Guarantee statement	283 518	--

Notes to financial statements for the year ended 31 December 2013 in thousand Czech crowns (TCZK)

Subsidiary	Guarantee	Carrying amount of related liability at 31 December 2013 in TCZK	Carrying amount of related liability at 31 December 2012 in TCZK
OC Nová Zdaboř a. s.	Guarantee statement	291 480	--
Olomouc City Center, a.s.	Guarantee statement	187 927	--
Pelhřimov Property Development, a.s.	Blank bill	57 500	--
Považská Bystrica Property Development, a.s.	Guarantee statement	98 156	--
Prievidza Property Development, a.s.	Guarantee statement	83 238	--
Příkopy Property Development, a.s.	Guarantee statement	603 350	--
Ružomberok Property Development, a.s.	Guarantee statement	85 181	--
Svitavy Property Alfa, a.s.	Guarantee statement	176 143	--
Trebišov Property Development, s.r.o.	Guarantee statement	167 073	160 697
Trutnov Property Development, a.s.	Blank bill	453 905	--
Třinec Investments, s.r.o.	Guarantee statement	78 600	--
Třinec Property Development, a.s.	Guarantee statement	293 405	--
U svatého Michala, a.s.	Blank bill	100 000	--
Vigano, a.s.	Blank bill	308 991	323 024
VT Holding, a.s.	Guarantee statement	309 744	--
Zvolen Property Development, a.s.	Guarantee statement	80 437	--
Ždírec Property Development, a.s.	Guarantee statement	14 675	--

8.2 Pledge of shares

The shares of following subsidiaries are pledged in respect of bank loans drawn by individual subsidiaries or bonds issued at 31 December 2013:

Balvinder, a.s, Brandýs Logistic, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI - Real Estate, a.s., CPI -Štupartská, a.s., CPI Alfa, a.s., CPI BYTY, a.s., CPI Heli, s.r.o., CPI Retails FIVE, a.s., CPI Retails FOUR, a.s., CPI Retails THREE, a.s., CPI Retails TWO, a.s., MUXUM, a.s., Olomouc Office, a.s., Olomouc City Center, a.s., Příbor Property Development, s.r.o., Příkopy Property Development, a.s., Svitavy Property Alfa, a.s., Třinec Investments, s.r.o., U Svatého Michala, a.s., Vigano, a.s., Vyškov Property Development, a.s., Ždírec Property Development, a.s., Kerina, a.s.,

8.3 Capital commitments

The Company has no capital commitments as at 31 December 2013.

9 Subsequent events

9.1 Acquisitions of subsidiaries

Pelhřimov Property Development, a.s.

On 2 April 2014, the Company acquired remaining 100% stake in Pelhřimov Property Development, a.s.
Retail Park Pelhřimov is located in the commercial zone in north – western part of the town (1,5 km from the center of Pelhřimov). It offers more than 7,500 sqm for retail accommodation. The purchase price was TCZK 2 000.

9.2 Disposal of subsidiaries

On 10 March 2014, the Company disposed its 100% stake in Trutnov Property Development, a.s. and its 100% stake in VT Holding, a.s. (including its fully owned subsidiary CPI Retails SIX, s.r.o.). Above mentioned investments were transferred to fully owned Company´s subsidiary Malerba, a.s. Final selling prices will be set up based on audited financial statements as at 31 December 2013. Completition of the both transactions is expected in May 2014.
The sales were carried out to optimize the Company's investment portfolio and provide more effective management of the group controlled by the Company.

9.3 Changes in Board of Directors

Kristína Magdolenová was appointed as a vice - chairman of Board of Directors with effective date 15 February 2014, the change in Commercial register was made on 11 March 2014.

Marek Stubley was removed as a vice - chairman of Board of Directors on 14 February 2014, the change was recorded in the Commercial register on 11 March 2014.

Prague, 30 April 2014

Radovan Vítek
Chairman of the Board of Directors

Kristína Magdolenová
Vice-chairman of the Board of Directors