



Appenninn Holding

APPENINN HOLDING NYRT.

FINANCIAL STATEMENTS

for the year ended 31 December 2013

International Financial Reporting Standards (IFRS)

APPEN



**PRIME
MARKET**

Listed on the Prime Market of
the Budapest Stock Exchange

General information

Board of Directors:

György Károly (Chairman of the Board)

Gábor Székely (Member of the Board, CEO)

György Ádamosi

Lőrinc Éder

Balázs Szabó

Gábor Varga

Audit Committee:

György Ádamosi (Chairman of the Audit Committee)

Lőrinc Éder

Balázs Szabó

Contact details of the Company:

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Legal officer of the Company:

Kapolyi Ügyvédi Iroda

H-1051 Budapest, József Nádor Sqr. 5-6. III. emelet

Auditor of the Company:

Pénzmentő Könyvvizsgáló, Adótanácsadó és Vállalkozási Kft.

H-1037 Budapest, Farkastorki st. 54.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Appeninn Vagyonkezelő Holding Nyrt.

Report on the Consolidated financial statements

We have audited the accompanying Consolidated financial statements of Appeninn Vagyonkezelő Holding Nyrt. and its subsidiaries (together "the Group") which comprise the Consolidated statement of financial positions as of 31 December 2013 (in which the statement of financial positions total is EUR 75,545,219 the total comprehensive income for the year is EUR1,500,678), the Consolidated statement of comprehensive income and Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended, and the notes to the Consolidated financial statements including a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is 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 Hungarian Standards on Auditing and with applicable laws and regulations in force in Hungary. 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 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 control relevant to the entity's preparation and fair presentation of the Consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 accompanying Consolidated financial statements give a true and fair view of the financial position of Appeninn Vagyonkezelő Holding Nyrt. and its subsidiaries as of 31 December 2013, and of the results of its operation for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Other reporting requirements regarding the Consolidated business report

We have examined the accompanying Consolidated business report of Appeninn Vagyonkezelő Holding Nyrt. and its subsidiaries (together "the Group") for the financial year of 2013.

Management is responsible for the preparation of the Consolidated business report which is consistent with the Consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to assess whether or not the accounting information disclosed in the Consolidated business report is consistent with that contained in the Consolidated financial statements. Our work in respect of the Consolidated business report was limited to checking it within the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Group. In our opinion the 2013 Consolidated business report is consistent with the disclosures in the Consolidated financial statements as of 31 December 2013.

21. March 2014

The original Hungarian version has been signed.

János Rocskai Dr.
Registered statutory auditor
registration number: 0004148

PÉNZMENTŐ Könyvvizsgáló, Adótanácsadó és Vállalkozási Kft
Budapest H-1037, Farkastorki út 54.

Consolidated statement of profit or loss and other comprehensive income	Notes	2013.	2012.
Property rental revenue	6	5,062,298	4,357,356
Property related expense	7	-1,928,820	-1,706,892
Vehicle lease revenue	6	344,825	346,437
Vehicle lease related expense	7	-190,213	-248,521
Net rental revenue		3,288,090	2,748,380
Administration expense	9	-346,021	-285,440
Employee related expense	10	-40,911	-64,477
Other income/(expense)	8	102,273	231,731
Gross operating profit (EBITDA)		3,003,431	2,630,194
Impairment of goodwill	17	-843,154	-221,127
Depreciation and amortization	21	-43,084	-32,039
Operating profit (EBIT)		2,117,193	2,377,028
Gain recognised on disposal of investment properties	19	-185,864	37,195
Net result from the revaluation of investment properties	19	356,379	-2,884,130
Badwill related to acquisitions	18	39,228	738,729
Interest income	11	61,625	78,529
Interest expense	12	-1,481,425	-1,416,208
Other financial income/(expense)	13	928,455	2,307,802
Profit before tax		1,835,591	1,238,945
Income tax expense	14	-334,913	-304,984
Profit for the year		1,500,678	933,961
Other comprehensive income			
Exchange differences on translating operations		0	-15,363
Other comprehensive income, net of taxes		0	-15,363
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,500,678	918,598
Attributable to:			
Owners of the Company		1,492,116	1,127,120
Non-controlling interest		8,562	-208,522
Earnings per share (EUR/pcs)	15	0.05	0.04
Diluted earnings per share (EUR/pcs)	15	0.05	0.04
Long-term net asset value per share	16	0.60	0.48

Consolidated statements of financial position - Assets		Notes	12/31/2013	12/31/2012
Goodwill	17	7,718,666	6,783,518	
Other intangible assets		14,577	21,635	
Investment properties	19, 20	64,360,000	57,990,000	
Property, plants and equipments	21	837,954	1,046,764	
Deferred tax assets	33	361,008	397,223	
Investments in associates		5,052	0	
Non-current assets		73,297,257	66,239,140	
Inventories		3,941	13,310	
Trade and other receivables	22	1,378,216	1,526,115	
Prepayments and accrued income	23	156,590	139,153	
Cash and cash equivalents	24	631,400	1,014,230	
Current assets		2,170,147	2,692,808	
Assets classified as held for sale	25	77,815	210,443	
Total assets		75,545,219	69,142,391	

Consolidated statements of financial position - liabilities	Equity and	12/31/2013	12/31/2012
Issued capital	26	11,850,483	10,503,273
Other reserves	27	10,899,163	8,241,850
Treasury shares	28	-2,792,588	-3,068,046
Retained earnings		1,840,686	-64,441
Shareholder's equity		21,797,744	15,612,636
Non-controlling interests	29	0	404,133
Total equity and reserves		21,797,744	16,016,769
Long-term loans	30	45,295,645	44,505,170
Deposits from tenants	31	632,215	513,142
Finance lease liabilities	32	1,521,680	1,834,268
Deferred tax liabilities	33	2,407,565	1,939,946
Total non-current liabilities		49,857,105	48,792,526
Trade and other payables	34	995,417	677,180
Short-term loan	30	1,507,852	2,249,967
Current tax liability	35	189,643	171,681
Short-term finance lease liabilities	32	249,777	369,453
Deferred revenue and accrued expense	36	947,681	864,815
Total current liabilities		3,890,370	4,333,096
Total liabilities		53,747,475	53,125,622
Total equity and liabilities		75,545,219	69,142,391

Consolidated financial statements – Changes in the
Shareholders' Equity
31 December, 2013

All data in EUR, except stated otherwise



	Share capital	Other reserve	Translation reserve	Retained earnings	Treasury shares	Attributable to the Owners of the Parent	Non-controlling interests	Total equity and reserves
Balance at 1 January 2012	9,679,700	4,679,221	870,212	-1,175,763	-1,052,973	13,000,397	646,234	13,646,631
Total comprehensive income for the year								
Prior year adjustments	0	31,165	0	-31,165	0	0	0	0
Profit for the year	0	0	0	1,142,486	0	1,142,486	-208,525	933,961
Issue of ordinary shares with premium	823,573	2,676,615	0	0	0	3,500,188	0	3,500,188
Non-controlling interests arising on current year acquisitions	0	0	0	0	0	0	-33,576	-33,576
Translation difference	0	0	-15,363	0	0	-15,363	0	-15,363
Purchase of treasury shares	0	0	0	0	-6,664,765	-6,664,765	0	-6,664,765
Sale of treasury shares	0	0	0	0	4,649,693	4,649,693	0	4,649,693
Balance at 31 December 2012	10,503,273	7,387,001	854,849	-64,441	-3,068,046	15,612,636	404,133	16,016,769
Total comprehensive income for the year								
Profit for the year	0	0	0	1,492,116	0	1,492,116	8,562	1,500,678
Issue of ordinary shares with premium	1,347,210	2,694,365	0	0	0	4,041,574	0	4,041,574
Purchasing of minority interest	0	0	0	1,089,635	0	1,089,635	-449,747	639,888
Translation reserve effect of the elimination of non-controlling interest	0	0	-37,052	0	0	-37,052	37,052	0
Purchase of treasury shares	0	0	0	0	-4,111,414	-4,111,414	0	-4,111,414
Sale of treasury shares	0	0	0	0	4,386,872	4,386,872	0	4,386,872
Recognized loss on treasury shares	0	0	0	-676,623	0	-676,623	0	-676,623
Balance at 31 December 2013	11,850,483	10,081,366	817,797	1,840,686	-2,792,588	21,797,744	0	21,797,744

All data in EUR, except stated otherwise

	Notes	2013.	2012.
Profit before tax	5	1,835,591	1,238,945
<u>Adjustments:</u>			
Net result from the revaluation of income-generating investment properties		326,946	0
Exchange rate difference not realised		-354,530	338,873
Gain on disposal of investment properties	5	185,864	0
Gain on disposal of property, plant and equipment		0	-190,343
Net change in the value of assets held for sale	25	4,452	-211,803
Depreciation and amortization		189,693	239,420
Impairment of trade receivables	22	109,161	1,123
Impairment of goodwill	17	843,154	221,125
Payables of shares		260,732	0
Badwill	18	39,228	-738,729
Cancellation of treasury shares		0	5,183
Interest paid		38,738	1,416,208
<u>Movements in working capital:</u>			
Changes in trade and other receivables		257,060	-135,170
Changes in prepayments and accrued income		88,471	432,151
Changes in inventories		9,369	-9,284
Changes in deferred income and liabilities		283,570	443,141
Changes in deposit from tenants	31	85,383	33,076
Income taxes paid		-221,776	-155,708
Net cash generated by operating activities		4,031,456	2,928,209
Acquisition of businesses, net of cash acquired	18	44,238	179,939
Net cash outflow on acquisition of subsidiaries		-37,790	0
Payments for property, plant and equipment		-834,886	0
Purchase and development of investment property	21	-3,227	-441,310
Proceeds from disposal of investment property	19	-658,340	234,953
Proceeds from disposal of property, plant and equipment	8	124,166	536,114
Proceeds from disposal of property, plant and equipment		541,592	0
Net cash generated by investing activities		-824,247	509,695
Proceeds from borrowings	30	4,524,537	0
Capitalised borrowings	30	-7,429,408	-1,416,184
Repayment of finance lease liabilities	32	-432,264	-235,962
Interest received		63,935	16,595
Interest paid		-316,838	-1,459,647
Net cash used in financing activities		-3,590,038	-3,095,197
Net increase in cash and cash equivalents	24	-382,830	342,707
Cash and cash equivalents at the beginning of the year	24	1,014,230	671,523
Cash and cash equivalents at the end of the year	24	631,400	1,014,230

1. General information

Appenninn Asset Management Public Limited Company by Shares ("the Company") is incorporated under the laws of the Republic of Hungary. Registered address of the Company: H-1022 Budapest, Bég st. 3-5.

Main activities of the Company is managing and letting out office buildings, commercial properties, warehouses and other properties owned by the subsidiaries of the Company. Besides of the real estate investment activity the Group also provides rental services of heavy vehicles for special purposes.

Appenninn Asset Management Plc. was introduced on the Hungarian Stock Exchange on 2nd July, 2010 through public trading. The Share Capital of the Company is 3,650,000 thHUF, which consists of 36,500,000 shares each with a face value of 100 HUF. Shareholder structure of the Company is as follows:

Name	31 December, 2013		31 December, 2012	
	Shares (pcs)	Shares (%)	Shares (pcs)	Shares (%)
Lehn Consult AG	22,008,612	60,30	13,923,550	42,84
Treasury shares	1,978,047	5,42	2,261,340	6,96
Alpina Intertrade AG	0	0,00	1,496,100	4,60
Management	326,200	0,89	6,800	0,02
Other shareholders	12,187,141	33,39	14,812,210	45,58
Total	36,00,000	100,00	32,500,000	100,00

2. Basis of preparation of the Consolidated financial statements

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

These International Financial Reporting Standards (IFRS) includes all International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and approved by the Board of the European Union. Furthermore also includes the interpretations issued by the IFRS Interpretation Committee and by the Standrad Interpretation Committee (SIC) and, which are also approved by the European Union.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value.

The reporting currency of the Group is the Hungarian Forint („HUF”) which, was defined based on the currency of the primary economic environment in which the Group operates („the functional currency”). Amounts in the consolidated financial statements rounded to thousand HUF („thHUF”), except it is stated otherwise.

The table below shows the details of the subsidiaries:

Name of the Company	Address	Principal activity	Share capital (in 2013)	Share capital (in 2012)
Appenninn Vagyonkezelő Holding Nyrt.	H-1022 Budapest, Bég u. 3-5.	Asset Management	12,293,288	11,157,266
E-Office Zrt.	1022 Budapest, Bég u. 3-5	Office rental	2,357,617	0
W-GO 2000 Zrt.	H-1022 Budapest, Bég u. 3-5.	Office rental	101,041	102,990
Appenninn - BP 1047 Zrt.	H-1022 Budapest, Bég u. 3-5.	Vehicle lease	84,201	85,825
Bertex Kft.	H-1022 Budapest, Bég u. 3-5.	Office rental	67,697	69,003
WBO Zrt.	H-1022 Budapest, Bég u. 3-5.	Office rental	20,208	20,598
Kranservice Zrt.	H-1022 Budapest, Bég u. 3-5.	Office rental	16,840	17,165
Appenninn Logisztikai Zrt.	H-1022 Budapest, Bég u. 3-5.	Logistics property rental	16,840	17,165
Appenninn Solaris Zrt.	H-1022 Budapest, Bég u. 3-5.	Office rental	16,840	17,165
Curlington Kft.	H-1022 Budapest, Bég u. 3-5.	Logistics property rental	10,441	10,642
Mikepércsi út 132 Kft.	H-1022 Budapest, Bég u. 3-5.	Office rental	10,104	10,299
K85 Kft.	H-1022 Budapest, Bég u. 3-5.	Logistics property rental	10,104	10,299
Szent László Téri Szolgáltató Ház Kft.*	H-1022 Budapest, Bég u. 3-5.	Logistics property rental	10,104	0
Ady Center Kft.	H-1024 Budapest, Ady Endre u. 24.	Office rental	1,684	1,717
Tavig Kft.**	H-1022 Budapest, Bég u. 3-5.		0	10,299
Volcano Properties	H-1022 Budapest, Bég u. 3-5.	Office rental	0	17,165
Ingtatlanforgalmazó Kft.**				
Andrassy '96 Kft.**	H-1022 Budapest, Bég u. 3-5.	Logistics property rental	0	13,732
OM 05**	H-1088 Budapest, József krt 17.	Commercial property rental	0	68,660
Hattyúház Zrt.**	H-1022 Budapest, Bég u. 3-5.	Commercial property rental	0	343,300
CW Porperties Kft.***	1022 Budapest, Bég u. 3-5	Commercial property rental	0	10,299
Teleconstruct Kft.*	1022 Budapest, Bég u. 3-5	Office rental	0	0

* These companies were consolidated in the current year for the first time. Details of business combinations shown are under Note 18.

** These companies merged into E-Office Zrt. in the current year.

*** Out of scope in the consolidation due to the control lost.

3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 4, the Management of the Company are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities, that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting judgements

The Management of the Group had certain assumptions when applying the accounting policy. Details of those critical accounting judgements – except of accounting estimates - which, have the most important effect on the amounts in the financial statements, presented below:

Functional currency and reporting currency

The reporting currency of the Group is the Euro („EUR”) which, was defined based on the currency of the primary economic environment in which the Group operates („the functional currency”). Amounts in the consolidated financial statements rounded to Euro („EUR”), except it is stated otherwise.

Operating leases – Group as a Lessor

Lease contracts where the Group functions as a lessor are reviewed on a yearly basis. In accordance with IAS 17 and the harmonizing accounting policies, the lease contracts (including the heavy vehicle rental activity) are considered to operating leases.

Classification of properties

Properties held by the Group are classified at initial recognition as investment properties or development properties, as it follows:

- Investment properties are properties, which are bought by the Group with the primary intention of consume substantially all of the economic benefits earned through rental or increase in value over time. These properties (offices, warehouses and industrial properties) are not in use by the Group in the long run and there is no intention of sales in the near future.
- Development properties are properties, which are bought by the Group with the intention of development and future sale (mainly building of a residential property).

The Group had no any development properties on 31 December 2013 and 31 December 2012. In case of changes in the function of the properties the classification reviewed.

Accounting estimates

The Management of the Group had certain assumptions when applying the accounting policy. Details of those critical accounting estimates which, have the most important effect on the amounts in the financial statements, presented below:

Impairment of goodwill

Goodwill arising on the purchase of shares, reviewed once in a year at the time of the preparation of the consolidated financial statements. Determining whether the goodwill is impaired an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash-flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Value of the goodwill was 8,081,258 EUR at the end of year 2012 and impairment booked was 6,783,518 EUR. See Note 17.

Useful life of property, plant and equipment

In accordance with IFRS, the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period.

The Board of Directors concluded that there is no need to revise the useful life and residual value of properties, plants and equipments in the current year.

Fair value of investment properties

Fair value of investment properties bases on significant estimations and judgements, so the current value can differ from the estimated fair value.

Fair value of investment properties determined by the Group and also by an independent property appraiser.

Valuation principles:

The fair value of completed investment property and investment property under construction, where fair market value can be reliably measured is determined on a market value basis. Investment properties under construction where fair value cannot be reliably measured (due to the low stage of completion, the unique nature of the property and/or an absolute lack of transaction activity in the market) are carried at amortized cost decreased with possible impairment if necessary.

Valuation methodologies:

The valuations are carried out using the income approach, discounted cash flow method. This method involves the projection of a series of periodic cash flows from the properties. To this projected cash flow series, a market derived discount rate, which reflects the yield expectations of the investors, is applied to establish an indication of the present value of the income stream associated with the property. The calculated period cash flow is estimated as gross income less vacancy and less expense related to the operation and reinstatement of the property. A series of periodic net operating incomes, along with an estimate of the residual value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the property.

Investment property fair value estimates are disclosed in Note 11.

Due to the fact that the future effects of the current economic downturn can not be predicted properly, the fair value valuation includes significant risk and uncertainty.

4. Main elements of the Accounting policies

Principles of the preparation of the financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These International Financial Reporting Standards (IFRS) includes all International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and approved by the Board of the European Union. Furthermore also includes the interpretations issued by the IFRS Interpretation Committee and by the Standrad Interpretation Committee (SIC) and, which are also approved by the European Union.

The consolidated financial statements of the Group have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value.

The Company prepares its financial statements in accordance with IFRS since establishment, so IFRS 1 (First-time adoption of International Financial Reporting Standards) not applied.

Business combinations

Acquisitions of businesses are accounted for using the aquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the aquisition-date fair values of the assets and transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the e equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets and liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based payment;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition- date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain, purchase gain.

When consideration transferred by the Group in a business combination includes assets and liabilities resulting from a contingent consideration arrangement, the contingent consideration measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the „measurement period“ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date (the date when the controlling right is acquired) fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy detailed above should be applied to all Business combinations on or after 1 January, 2010.

Acquisition of properties and investments

The Group acquires interest in those subsidiaries, which has properties. At the time of the acquisition the Group decides whether shares in the acquired subsidiary is part of the Group's operational activity. If the Group acquired shares related to the property management segment than the acquisition classifies as business combination. To make sure that the Group acquired shares in the property management segment of a subsidiary it should review, which are those significant property management activities over which a control was obtained (ie. property repair and maintenance, property management, leasing activity, cleaning, security guarding). In case of the significance of any acquired business activity the Group shall consider the principles of IAS 40.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 18.) less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. Any impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group sells some of its interest in an associate and it constitutes significant loss of influence, and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

All discounts provided to the tenants accrued and recognised during the lease term, though it is not accordance with the financial settlement.

Incomes from the termination of operating lease contracts recognised at the time of their occurrence.

Income from recharged operation expenses

Income from recharged operation expenses in relation to office rental is recognised in the same period when the related operation expenses occurred. The Company bears the risk that the income from recharged operation expenses not cover the related operation expenses, so in this transaction the Company is not an agent but a supplier.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group was not involved in finance lease transactions as a Lessor on 31 December, 2013 and 31 December 2012.

The Group as Lessee

The Group reviews its lease contracts based on the principles of IFRIC 4 and classifies its leases as per IAS 17 as operating lease or finance lease.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in the fair value recognised in profit or loss for the year.

Taxation

Current tax:

Subsidiaries of the Group pay corporate income tax to the Hungarian Tax Authority and local municipality tax to the Local Municipality. Base of the corporate income tax is the taxable profit modified by tax increasing and tax decreasing items. Base of the local municipality tax is the revenue decreased by different types of costs and expenses (gross margin).

Deferred tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Differed tax assets are recognised to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilised.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short-term bank deposits with less than three month to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired.

Provisions for impairment of trade receivables classified in the consolidated financial statements based on the original classification of the related receivable, so the provision for impairment can be classified as an expense related to vehicle lease or as operating expense of rentals.

Property, plant and equipment

Properties are carried at initial cost less accumulated depreciation and recognised impairment loss, if any.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets, any gain or loss arising on the disposal or retirement of an item is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised among other income or other expenses.

The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs bringing the asset to its working condition and location for its intended use, such as borrowing costs.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:

Type of asset	Useful life
Intangible asset	3 years
Equipment	3-7 years
Machinery for rental purposes	5 years
Office equipment	3-7 years

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the 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 for which estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The Group recognises impairment loss immediately in profit or loss among other income or other expense.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss among other income or other expense.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Loans and other borrowings

Borrowings are recognised initially at fair value less transaction costs, and subsequently measured at amortised costs using the effective interest rate method. The effective interest is recognised in the income statement (finance expenses) over the period of the borrowings.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Treasury shares

Treasury shares are recognised at cost, each purchased distinguished individually. Treasury stock represents the cost of shares repurchased and is displayed as a reduction of shareholder's equity. Premiums and discounts on disposal are credited and debited respectively directly to retained earnings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Deposit from tenants

Deposit from tenants is recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method. Deposits from tenants related to contracts over one year period are classified as long-term liabilities, while other deposits from tenants are classified as short-term liabilities in the consolidated financial statements.

Foreign exchange transactions

Assets and liabilities determined in foreign exchange currency at year end are revalued on the official exchange rate issued by the Hungarian National Bank. Foreign exchange gains and losses resulting from the translation at year-end exchange rates are recognised in the income statement among other financial income and other financial expense.

Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding. Diluted earnings per share is calculated considering the weighted average number of diluting share options (if any) in addition to the number of common stocks outstanding.

5. New and revised IFRSs in issue but not yet effective

Changes applied in the Group's accounting policy

IFRS 13 amendments

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 established a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines the concept of fair value and sets a framework for the measurement and disclosure requirements of fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. Fair value under IFRS 13 in an exit price regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standards in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 15, 16 and 40 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments ⁴
IFRS 10	Consolidated financial statements ²
IFRS 11	Joint arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair value measurement ³
IAS 1 (amendments)	Presentation of items of Other comprehensive income ³
IAS 27 (as revised in year 2011)	Separate financial statements ²
IAS 28 (as revised in year 2011)	Investments in associates and joint ventures ²

1 Effective for annual periods beginning on or after 1 January 2012.

2 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 Financial instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets, IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- The application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial

liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015.

Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28

In May 2011, the IASB issued IFRS 10, IFRS 11, IFRS 12, IAS 27 (revised in 2011) and IAS 28 (revised in 2011), which are labelled as a package of five standards related to the issues of Consolidated financial statements, Joint arrangements and Disclosures.

The requirements of the each of the five new and revised standards are the followings:

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 introduced new definitions of control, which comprises three elements: (a) power of the investee, when the investor has existing rights that give it the current ability to direct the relevant activities, (b) exposures, or rights, to variable returns from its involvement with the investee, (c) the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 gives a wide range of instructions for the complex transactions.

IFRS 11 replaces IAS 31 Interests in Joint ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers is revoked at the same time when IFRS 11 issued. Under IFRS 11, joint arrangements are classified as joint operations and joint ventures, based on the rights and obligations of the parties in the arrangements. Compared to IFRS 11, under IAS 31 there is three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

As per IFRS 11, equity accounting will be mandatory for joint ventures, while under IAS 31 there was a possibility to choose from equity accounting and proportionate consolidation method.

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they interests in subsidiaries, joint arrangements, associates or/and unconsolidated structured entities. Generally, the disclosure requirements of IFRS 12 are broader compared to the earlier standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application of the standard is permitted if all of the five standards are applied at the same time.

Based on the prediction of the Board of Directors, the above mentioned five standards will be applied in the consolidated financial statements from 1 January 2014.

Application of the standards may have significant impact on the disclosed amounts in the consolidated financial statements. Impact of the application of IFRS 10 on the Group can be that the Group will not consolidate some of its investments. The Board of Directors not prepared detailed analysis on the impact of the application of the standards, so the effect is not quantified yet.

Amendments to IAS 1

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into the following two categories: (a) items that will not be reclassified subsequently to profit or loss, (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on items of other comprehensive income is required to be allocated on the same basis.

Amendments to IAS 1 are effective on or after 1 July 2012. Items in the other comprehensive income will be disclosed according to the requirements of IAS 1 in the upcoming accounting periods.

6. Segment information

Information reported to the chief operating decision maker – Board of Directors – for the purpose of resource allocation and assessment of segment performance focuses on the types of services delivered or provided.

The Group's reportable segments under IFRS 8 are as follows:

- Office rental services
- Logistics property rental services
- Commercial property rental services
- Vehicle lease services

Consolidated segment revenues and results for year ended 31 December 2013

31 December, 2013	Leasing of offices	Leasing of logistics property	Leasing of commercial property	Leasing of vehicles	Total
Rental income	4,089,546	725,353	247,384	344,823	5,407,106
Profit on disposal of assets	0	0	0	0	0
Other income/ expense	12,390	-2,769	-1,129	93,781	102,273
Operating expense	-1,734,949	-179,551	-14,319	-190,214	-
					2,119,033
Carrying amount of disposed properties	0	0	0	0	0
Depreciation	-39,537	-3,547	0	0	-43,084
Segment profit	2,327,450	539,486	231,936	248,391	3,347,262
Administrative and employee related expense	-195,464	-134,614	-48,659	-8,194	-386,932
Interest expenses and realised foreign exchange loss	-154,558	-138,474	-132,740	-76,307	-502,080
Interest incomes and realised foreign exchange gains	-65,245	120,515	-44,785	267	10,752
Segment profit	1,912,182	386,913	5,752	164,156	2,469,003
Gain on disposal of investment properties	0	-185,864	0	0	-185,864
Net result from the revaluation of income-generating investment properties	286,890	-5,466	74,956	0	356,379
Badwill of acquisition	39,228	0	0	0	39,228
Impairment of goodwill	-843,154	0	0	0	-843,154
Profit before tax	1,395,145	195,582	80,708	164,156	1,835,591

[Consolidated segment assets and liabilities for year ended 31 December 2013](#)

31 December, 2013	Leasing of offices	Leasing of logistics property	Leasing of commercial property	Leasing of vehicles	Total
Assets					
Income-generating investment properties	53,950,002	7,499,995	2,910,003	0	64,360,000
Leased assets	91,790	6,591	0	739,573	837,954
Segment assets	54,041,793	7,506,586	2,910,003	739,573	65,197,954
Goodwill	6,962,423	756,243	0	0	7,718,666
Other non-current assets	240,613	228,077	0	10,332	479,022
Current-assets	1,086,886	990,210	47,860	45,190	2,170,146
Total assets	62,331,715	9,481,116	2,957,863	795,094	75,565,788
Liabilities					
Loans and other borrowings	40,920,154	3,758,182	2,099,900	174,009	46,952,244
Other non-current liabilities	4,142,022	219,362	117,689	107,625	4,586,699
Other current liabilities	1,841,657	172,282	95,049	99,544	2,208,532
Total liabilities	46,903,833	4,149,826	2,312,637	381,178	53,747,475

Consolidated segment revenues and results for year ended 31 December 2012

31 December, 2012	Leasing of offices	Leasing of logistics property	Leasing of commercial property	Leasing of vehicles	Total
Rental income	3,538,473	771,664	47,219	346,438	4,703,794
Profit on disposal of assets	0	0	0	394,973	394,973
Other income	1,196,804	227,064	0	6,855	1,430,723
Operating expense	-1,477,590	-224,166	-5,138	-27,597	-1,734,491
Carrying amount of disposed properties	0	0	0	-346,241	-346,241
Depreciation	-16,899	-15,141	0	-220,921	-252,961
Other expense	-1,056,302	-184,082	0	-7,339	-1,247,723
Segment profit	2,184,486	575,339	42,081	146,168	2,948,074
Administrative and employee related expense	-131,992	-198,186	-6,268	-13,472	-349,918
Interest expenses and realised foreign exchange loss	-1,178,453	-177,134	-23,668	-36,953	-1,416,208
Interest incomes and realised foreign exchange gains	68,807	7,909	1,398	415	78,529
Segment profit	942,848	207,928	13,543	96,158	1,260,477
Other financial income/(expense)	1,882,538	343,832	51,724	29,708	2,307,802
Gain on disposal of investment properties	0	37,195	0	0	37,195
Net result from the revaluation of income-generating investment properties	-2,564,443	-404,495	84,808	0	-2,884,130
Badwill of acquisition	0	494,236	244,492	0	738,728
Impairment of goodwill	-221,127	0	0	0	-221,127
Profit before tax	39,816	678,696	394,567	125,866	1,238,945

Consolidated segment assets and liabilities for year ended 31 December 2012

31 December, 2012	Leasing of offices	Leasing of logistics property	Leasing of commercial property	Leasing of vehicles	Total
Assets					
Income-generating investment properties	46,799,999	8,000,001	3,190,000	0	57,990,000
Leased assets	0	0	0	933,434	933,434
Segment assets	46,799,999	8,000,001	3,190,000	933,434	58,923,434
Goodwill	5,974,173	770,833	38,511	0	6,783,518
Other non-current assets	264,812	257,190	0	10,193	532,195
Current-assets	2,090,110	593,851	110,639	108,644	2,903,244
Total assets	55,129,093	9,621,876	3,339,150	1,052,271	69,142,391
Liabilities					
Loans and other borrowings	40,301,692	5,372,955	2,778,472	505,736	48,958,855
Other non-current liabilities	2,018,731	210,292	128,594	95,472	2,453,089
Other current liabilities	1,130,942	325,167	32,717	224,852	1,713,678
Total liabilities	43,451,365	5,908,414	2,939,783	826,060	53,125,622

7. Operating expenses

	2013	2012
Utility fees	-1,209,172	-906,671
Repair and maintenance	-323,216	-255,739
Building tax	-182,860	-177,849
Impairment of receivables*	-109,161	0
Security guarding	-28,022	-104,008
Property management fee	-28,241	-52,902
Cleaning	-20,046	-154,682
Property insurance fee	-11,306	-13,378
Other operating expense	-16,796	-41,663
Property related expense	-1,928,820	-1,706,892
*Impairment of receivables on rental purchases		
Vehicle lease related expense		
Depreciation of assets leased	-176,192	-220,921
Property insurance	-10,993	-12,705
Other	-3,028	-14,895
Vehicle lease related expense	-190,213	-248,521

8. Other income and other expense

	2013	2012
Income from sale of properties	124,166	394,973
Accrued of backlease	99,848	0
Late payment charges received	9,148	2,940
Liabilities lapsed	1,553	39,738
Revenue related to damages	727	38,619
Fines and penalties received	468	1,690
Interest correction	0	121,056
Income from debt cancelled	0	86,732
Proceeds from receivables sold	0	1,112,607
Other	41,100	27,341
Other income	277,010	1,825,696
Carrying amount of disposed properties	-128,618	-346,241
Late payment charges	-16,052	-12,235
Duties and levies	-8,915	-17,283
Carrying amount of receivables sold	-5,268	-1,130,440
Vehicle tax	-4,523	-5,995
Fines and penalties	-3,159	-30,195
Debt cancelled	-2,284	0
Debit takeover	-1,758	0
Other expenses	-4,160	-51,576
Other expenses	-174,737	-1,593,965
Total	102,273	231,731

9. Administration expense

	2013	2012
Bookkeeping	-90,910	-82,313
Consulting and PR	-45,865	-28,432
Legal fee	-43,444	-24,131
Securities exchange fee	-41,572	-26,808
Bank charges	-36,365	-18,003
Telephone and internet	-13,354	-9,012
IT services fee	-12,212	0
Duties and levies	-9,346	-5,112
Vehicle lease and fuel charges	-3,419	-27,900
Advertisement fee	0	-13,602
Stationery and material costs	-2,883	-4,700
Other expenses	-46,651	-45,429
Administration expenses	-346,021	-285,440

10. Employee related expense

In the current year personnel type of expenditures and related payroll costs amounted to 40,911 EUR (2012: 64,477 EUR). The average statistical number of employees 4 (in 2012 it was 7 persons).

11. Interest income

	2013	2012
Interest received from banks	14,052	18,841
Other interest received	47,573	59,688
Total interest income	61,625	78,529

12. Interest expense

	2013	2012
Interest paid on bank loans	-1,252,242	-1,194,451
Other interest paid	-159,310	-139,241
Total interest expenses	-1,411,552	-1,333,692
Interest paid on finance lease	-69,873	-82,516
Total interest expenses	-1,481,425	-1,416,208

13. Other financial income and expense

	2013	2012
Unrealised gain on exchange rate	383,758	2,255,573
Realised gain on exchange rate	662,106	288,902
Other financial income	1,045,864	2,544,475
Exchange rate loss realised	-75,939	-236,673
Loss on out of consolidation	-41,470	0
Other financial expense	-117,409	-236,673
Total	928,455	2,307,802

14. Income tax expense

	2013	2012
Corporate income tax	-53,269	-190,618
Local municipality tax	-94,355	-75,190
Deferred tax expense / (income)	-187,289	-37,217
Total tax expense	-334,913	-112,407

	31 December, 2013	31 December, 2012
Hungary - Corporate income tax (under 500 million HUF)	10%	10%
Hungary - Corporate income tax (over 500 million HUF)	19%	19%
Hungary - Local municipality tax	2%	2%

Deferred Tax receivable (liability)	Balance as 31 December 2013	Change	Balance as 31 December 2012	Change	Balance as 31 December 2011
Loss accruable under tax law	489,286	-9,970	479,316	-135,573	343,743
Impairment of receivables	0	0	0	0	0
Tangible and intangible assets (including reserves for future investments)	-3,626,076	571,956	-3,054,120	1,190,926	-1,863,195
Risk provision	0	0	0	0	0
Effect on result of assets/liabilities	349,554	-82,476	267,077	-527,862	-260,785
Impairment of deferred tax asset	730,703	0	746,699	265,917	1,012,616
Other	9,976	8,329	18,305	-18,305	0
Current year acquisitions effect on deferred tax assets (liabilities)	0	345,741	0	-737,894	0
Net deferred tax receivables / (liabilities)	-2,046,557	833,579	-1,542,723	37,209	-767,620

	31 December, 2013	31 December, 2012
IFRS profit before tax	1,835,591	1,238,945
Calculated corporate income tax (at parent company corporate tax rate)	183,559	123,895
Local municipality tax	94,355	75,190
Tax effect of non-deductible expenses	0	43,024
Other	56,999	62,875
Tax expense	334,913	304,984

15. Earnings per share

	2013	2012
Net profit attributable to equity holders of the parent	1,492,116	1,127,120
Weighted average number of ordinary shares	33,035,616	31,350,672
Basic earnings per share (EUR)	0.05	0.04
Weighted average number of diluted ordinary shares	33,035,616	31,350,672
Diluted earnings per share (EUR)	0.05	0.04

16. Net asset value per share

	2013	2012
Net asset value attributable to equity holders of the parent (NAV)	21,797,744	15,612,636
	2013 pcs	2012 pcs
Number of ordinary shares at year end	36,500,000	32,500,000
	<u>in EUR</u>	<u>in EUR</u>
Net asset value per share	0.60	0.48

17. Goodwill

	31 December, 2013	31 December, 2012
Cost	9,606,913	7,828,610
Accumulated impairment losses	-1,888,247	-1,045,093
Balance at end of year	7,718,666	6,783,518
Cost		
Balance at beginning of year	7,828,610	7,684,450
Additional amounts recognised from business combinations occurring during the year	1,816,093	144,162
Derecognised on disposal of a subsidiary	-37,790	0
Balance at end of year	9,606,913	7,828,610
Accumulated impairment losses		
Balance at beginning of year	-1,045,093	-825,387
Impairment losses recognised in the year*	-843,154	-219,705
Balance at end of year	-1,888,247	-1,045,093

* During the annual review of goodwill impairment the Board of directors decided to EUR 843,154 impairment on goodwill.

18. Business combinations

Subsidiaries acquired during year 2013

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred
Szent László Téri Szolgáltató Ház Kft.	Office rental	19.02.2013	100%	1,462,292
Teleconstruct Kft.	Logistics property rental	01.05.2013	100%	10,104
Hattyúház	Commercial property rental	10.05.2013	24%	252,602

Assets acquired and liabilities recognised at the date of acquisition

	Szent László Téri Kft.	Teleconstruct Kft.	Total
Non-current assets			
Income-generating investment properties	2,320,774	3,610,403	5,931,176
Current assets			
Trade and other receivables	68,800	98,375	167,175
Prepayments and accrued income	3,522	166,321	169,843
Cash and cash-equivalents	29,381	14,857	44,238
Non-current liabilities			
Long-term loans	656,010	5,070,799	5,726,809
Deposit from tenants	18,070	15,619	33,690
Deferred tax liabilities	138,123	222,877	361,000
Current liabilities			
Trade and other payables	25,941	64,515	90,455
Borrowings	6,572	28,050	34,621
Current tax liabilities	27,064	20,598	47,662
Deferred income and accrued expenses	23,874	273,521	297,396
Net assets at fair value	1,526,821	-1,806,022	-279,201

Goodwill and badwill arising on acquisition during year 2013

	Szent László Téri Kft.	Teleconstruct Kft.	Total
Consideration transferred	1,487,593	10,070	1,497,664
Fair value of identifiable net assets acquired	-1,526,821	1,806,022	279,201
Goodwill / (badwill) arising on acquisition	-39,228	1,816,093	1,776,865

[Profit of the Group during year 2013](#)

	Szent László Téri Kft.	Teleconstruct Kft.
Profit of subsidiaries acquired during the year:	875,764	70,968

[Assets acquired and liabilities recognised at the date of acquisition during year 2012](#)

	OM'05 Kft.	Bertex Kft.	CW Properties Kft.	K85 Kft.
Non-current assets				
Income-generating investment properties	7,464,019	1,672,800	884,376	2,221,360
				0
Current assets				0
Trade and other receivables	505,369	2,173	7,707	2,575
Treasury shares	0	411,961	0	0
Prepayments and accrued income	0	717	0	41,646
Cash and cash-equivalents	15,483	9,128	60,345	93,827
				0
Non-current liabilities				0
Long-term loans	5,049,346	743,843	922,098	1,785,087
Deposit from tenants	0	0	12,359	0
Deferred tax liabilities	511,954	0	738	0
				0
Current liabilities				0
Trade and other payables	26,898	13,433	80	1,541
Borrowings	0	0	74,482	0
Current tax liabilities	34,467	114,930	584	102,317
Deferred income and accrued expenses	0	5,500	0	0
				0
Net assets at fair value	2,362,206	1,219,074	-57,911	470,462

[Goodwill and badwill arising on acquisition during year 2012](#)

	OM'05 Kft.	Bertex Kft.	CW Properties Kft.	K85 Kft.
Consideration transferred	2,467,857	728,010	5,150	227,540
Non-controlling interests	0	0	-33,362	0
Fair value of identifiable net assets acquired	-8,109,465	-4,185,086	198,810	-1,615,100
Goodwill / (badwill) arising on acquisition	-5,641,608	-3,457,076	170,598	-1,387,560

[Profit of the Group during year 2012](#)

	OM'05 Kft.	Bertex Kft.	CW Properties Kft.	K85 Kft.
Profit of subsidiaries acquired during the year:	114,566	28,343	10,546	25,837

19. Investment properties

Movement table of investment properties

	2013	2012
Opening value	57,990,000	48,812,668
Acquisitions arising from business combinations	5,931,176	12,242,555
Other acquisitions of property	658,340	0
Capital expenditure on properties	808,019	0
Disposal of property	-1,381,347	-199,609
Effect of exchange rate difference	0	-2,865,614
Fair value adjustments	353,812	0
Closing value	64,360,000	57,990,000

Investment properties during year 2013:

Address of Investment property	Classification of property	2013 in EUR	2012 in EUR
Budapest, Béq utca 3-5.	"B" category office building	14,000,000 EUR	14,000,000 EUR
Budapest, Visegrádi utca 110-112	"B" category office building	4,500,000 EUR	4,500,000 EUR
Budapest, Páva utca 8.	"B" category office building	3,600,000 EUR	3,600,000 EUR
Budapest, Szerémi út 7/b.	"B" category office building	100,000 EUR	100,000 EUR
Nagykanizsa, Vár utca 12.	Logistics property	200,000 EUR	200,000 EUR
Kecskemét, Kiskőrösi utca 30.	Logistics property	2,600,000 EUR	2,600,000 EUR
Budapest, Hattyú utca 14.	"B" category office building	15,000,000 EUR	15,700,000 EUR
Budapest, Schweidel utca 3.	Logistics property	1,200,000 EUR	1,200,000 EUR
Budapest, Egyenes utca 4.	Logistics property	1,200,000 EUR	1,200,000 EUR
Szentes, Sopron sor 1.*	Logistics property	0 EUR	500,000 EUR
Debrecen, Mikepércsi út 132.	Logistics property	600,000 EUR	600,000 EUR
Budapest, Ady Endre utca 14.	"B" category office building	1,500,000 EUR	1,500,000 EUR
Budapest, Mérleg utca 4.*	"B" category office building	8,300,000 EUR	7,400,000 EUR
Budapest, IX ker., Ráday u. 31.**	Commercial property	0 EUR	496,000 EUR
Budapest, V ker., Akadémia u. 9.**	Commercial property	0 EUR	412,000 EUR
Biatorbágy, Tormásrét 2.	Logistics property	1,700,000 EUR	1,700,000 EUR
Budapest, Kerepesi út 85.	Commercial property	2,270,000 EUR	2,282,000 EUR
II. Bp. Alkotmány u. 21 ***	Commercial property	3,610,000 EUR	0 EUR
X. Budapest, Szent László Tér 20. ***	"B" category office building	640,000 EUR	0 EUR
XI. Budapest, Kelénhegyi út 43. ***	"B" category office building	3,340,000 EUR	0 EUR

* The Group sold these properties during year 2013.

** The owner of the properties are out of consolidation during 2013.

*** The property was acquired in 2013.

Offices	Year-end value (€)	Net rental area (sqm)	Average rental fee (EUR/sqm)	Rental fee (market) (EUR/sqm)	Vacancy rate (%)	Non-recovery rate (%)	Estimated yield (%)
Budapest, Hattyú utca 14.	15,000,000 EUR	7,892	9	10	10	1	8
Budapest, Bég utca 3-5.	14,000,000 EUR	5,693	13	14	10	1	8
Budapest, Páva utca 8.	3,600,000 EUR	3,647	7	9	10	1	8
Budapest, Szerémi út 7/b.	100,000 EUR	228	No data	6	15	1	9
Budapest, Visegrádi utca 110-112	4,500,000 EUR	3,385	7	7	5	1	8
Budapest, Ady Endre utca 14.	1,500,000 EUR	776	11	11	5	1	8
Budapest, Mérleg utca 4.*	8,300,000 EUR	3,320	14	14	10	1	8
X. Budapest, Szent László Tér 20. ***	640,000 EUR	6,437	3	3	20	1	8
XI. Budapest, Kelénhegyi út 43. ***	3,340,000 EUR	2,428	12	12	25	1	7

Logistics property	Year-end value (€)	Net rental area (sqm)	Average rental fee (EUR/sqm)	Rental fee (market) (EUR/sqm)	Vacancy rate (%)	Non-recovery rate (%)	Estimated yield (%)
Nagykanizsa, Vár utca 12.	200,000 EUR	2,511	3	3	50	1	10
Kecskemét, Kiskőrösi utca 30.	2,600,000 EUR	6,024	5	5	10	1	10
Budapest, Schweidel utca 3.	1,200,000 EUR	5,427	3	3	15	1	10
Budapest, Egyenes utca 4.	1,200,000 EUR	1,867	4	4	20	1	10
Debrecen, Mikepércsi út 132.	600,000 EUR	1,470	3	3	10	1	9
Biatorbágy, Tormásrét 2.	1,700,000 EUR	1,358	10	10	0	1	8

Commercial property	Year-end value (€)	Net rental area (sqm)	Average rental fee (EUR/sqm)	Rental fee (market) (EUR/sqm)	Vacancy rate (%)	Non-recovery rate (%)	Estimated yield (%)
Budapest, Kerepesi út 85.	2,270,000 EUR	6,718	2	2	10	1	8
II. Bp. Alkotmány u. 21 ***	3,610,000 EUR	307	17	17	10	1	8

Weighted average of Property portfolio	Year-end value (€)	Net rental area (sqm)	Average rental fee (EUR/sqm)	Rental fee (market) (EUR/sqm)	Vacancy rate (%)	Non-recovery rate (%)	Estimated yield (%)
Total	64,360,000	59,488	7	7	14	1	8

20. Fair value measurement of investment properties

The valuation techniques and methods are reflected in the accounting policy. Details of the investment properties shown under note 19. The Group prepares the fair value valuation for the investment property portfolio in every year, which is backed up by a valuation report prepared by an independent valuer. The fair value received from the independent valuer is in line with the amounts reflected in the consolidated financial statements.

[Sensitivity analysis](#)

31, December 2013

Due to the change on EUR base book-keeping, in current year the effect only on yield changes.

Average yield	7.7%	8.2%	8.7%
Yield modification effect on investment properties value	4,955,720	0	-5,599,320

31. December 2012

Average yield	7,5%	8,0%	8,5%
EUR/HUF exchange rate			
321,13	499 967	457 000	-1 597 012
311,13	927 167	0	-1 104 512
301,13	1 354 367	-457 000	-612 012

21. Property, plants and equipments

Cost	Equipments	Office and other equipments	Construction in progress	Total
Balance at 31 December, 2011	1,416,463	419,300	0	1,835,764
Additions	414,745	4,899	0	419,644
Disposals	-756,957	0	0	-756,957
Balance at 31 December, 2012	1,074,251	424,199	0	1,498,450
Additions	0	3,227	0	3,227
Balance at 31 December, 2013	1,074,251	427,426	0	1,501,677

Accumulated depreciation and impairment	Equipments	Office and other equipments	Construction in progress	Total
Balance at 31 December, 2011	-598,150	-266,906	0	-865,055
Eliminated at disposal of assets	413,399	0	0	413,399
Balance at 31 December, 2012	-184,751	-266,906	0	-451,656
Depreciation	-172,571	-39,495	0	-212,066
Balance at 31 December, 2013	-357,322	-306,401	0	-663,722

Net value

Balance at 31 December, 2012	889,501	157,293	0	1,046,794
Balance at 31 December, 2013	716,929	121,025	0	837,954

22. Trade and other receivables

	31 December, 2013	31 December, 2012
Trade receivables	558,099	278,856
Other receivables	820,117	1,247,259
	1,378,216	1,526,115

Trade receivables

	31 December, 2013	31 December, 2012
Rent and service charge receivables (gross)	666,081	241,041
Vehicle lease receivables (gross)	1,179	37,815
Total trade receivables (gross)	667,260	278,856

Allowance for doubtful debts

	31 December, 2013	31 December, 2012
Balance at beginning of year	0	-1,116
Increase	-109,161	0
Decrease	0	1,116
Balance at end of year	-109,161	0

Age of receivables that are past due

	31 December, 2013	31 December, 2012
Receivables not due	0	85,056
< 30 days	81,032	63,802
30-60 days	60,965	27,818
60-90 days	36,705	18,226
> 90 days	379,397	83,954
	558,099	278,856

Other receivables

	31 December, 2013	31 December, 2012
Borrowings	4,022	470,002
Taxes	207,770	98,548
Advances	80,873	88,860
Receivables from disposed shares	0	0
Other*	527,452	589,849
	820,117	1,247,259

* Among other receivables the main items is a receivable from HB Holding Bastion in the amount of EUR 392,429.

23. Prepayments and accrued income

	31 December, 2013	31 December, 2012
Rental income	23,987	59,507
Prepaid expenses	131,704	15,270
Interest income	899	64,376
	156,590	139,153

24. Cash and cash equivalents

	31 December, 2013	31 December, 2012
Cash on hand	35,529	164,710
Cash at bank	595,871	849,520
	631,400	1,014,230

25. Assets classified as held for sale

	31 December, 2013	31 December, 2012
Property held for sale - apartment	65,818	187,758
Property held for sale - garage and storage	11,997	22,685
Total	77,815	210,443

The Group sold the apartment in Budapest and the garage related to it in 2013. The Group intends to sell apartments in Szolnok and the related garages and storages in the next 12 months.

The Group is actively seeking a buyer and provision for impairment is not necessary.

26. Issued capital

	2013 thousand pcs	2012 thousand pcs
Issued ordinary shares with a face value of 100 HUF	36,500	30,116
Issued and fully paid ordinary shares	31 December, 2013	31 December, 2012
At 1 January	10,503,273	9,679,700
Issue of shares during the year	1,347,210	823,573
At 31 December	11,850,483	10,503,273

27. Other reserves

Reserves	31 December, 2013	31 December, 2012
Issue of ordinary shares with premium	10,081,366	7,387,001
Translation reserve	817,797	854,849
Total reserves	10,899,163	8,241,850
Issue of ordinary shares with premium	31 December, 2013	31 December, 2012
At 1 January	7,387,001	4,679,221
Change in share premium during the year	2,694,365	2,707,780
At 31 December	10,081,366	7,387,001

28. Treasury shares

	Ordinary shares (pcs) 31.12.2013	Ordinary shares (pcs) 31.12.2012
Opening balance	2,231,340	830,200
Increase	3,079,707	3,966,700
Decrease	-3,333,000	-2,565,560
Closing balance	1,978,047	2,231,340
- shares owned by subsidiaries	825,000	250,000

	Ordinary shares (in EUR) 31.12.2013	Ordinary shares (in EUR) 31.12.2012
Opening balance	3,068,046	1,052,973
Treasury shares bought with the availability of later payment	2,523,973	3,213,464
Treasury shares received in exchange for receivables	0	2,282,221
Treasury shares acquired through business combinations	0	411,961
Treasury shares disposed in business combinations	-1,772,676	-3,415,619
Purchase of investment properties by treasury shares	-658,340	
Treasury shares disposed in exchange for payables	-368,415	-401,428
Treasury shares disposed to buy an asset held for sale	0	-75,526
Treasury shares (at historical cost)	2,792,588	3,068,046
- shares owned by subsidiaries	858,819	363,040

29. Non-controlling interests

	31 December, 2013	31 December, 2012
Balance at beginning of year	404,133	646,233
Share of profit for the year	8,562	-208,525
Purchase of non-controlling interest of Hattyúház Zrt.	-370,558	0
Non-controlling interest arising on the acquisition of CW Properties Kft.	0	-33,575
CW Properties Kft. Out of consolidation during 2013.	-42,137	0
Balance at end of year	0	404,133

30. Loans

Financing bank	Maturity date	Reference interest rate	Interest margin %	Currency	31 December, 2013	31 December, 2012
ERSTE hitel (E-Office)* Orgovány és Vidéke	12/31/2023	EURIBOR	2.50%	EUR	3,665,371	3,832,868
Takarékszövetkezet (Nagykanizsa)	5/31/2016	BUBOR	5.75%	HUF	426,740	452,096
ERSTE hitel (Volcano Kft)*	12/31/2023	EURIBOR	2.50%	EUR	4,037,326	4,225,765
MKB Bank. (WBO Zrt.)	9/30/2022	EURIBOR	1.50%	EUR	248,997	277,232
CIB Bank (Bég utca)	6/16/2023	CHF LIBOR	1.85%	CHF	11,508,266	12,399,767
K&H bank (Appenninn BP1047 Zrt.)	9/30/2016	BUBOR	2.75%	HUF	1,323,346	1,497,896
MKB Bank (Curlington Kft.)	8/30/2023	EURIBOR	4.00%	EUR	179,051	251,776
MKB Bank (Mikepércsi út 132 Kft)	6/30/2022	BUBOR	3.25%	HUF	295,144	319,122
ERSTE hitel (Hattyúház Zrt)	2023/12/31	EURIBOR	1.25%	EUR	10,977,233	11,172,887
FHB hitel (Bertex Zrt)	2013/09/20	EURIBOR	2.50%	EUR	692,919	753,349
ERSTE hitel (OM05 Kft)	2023/10/30	EURIBOR	2.25%	EUR	4,664,688	4,934,368
OTP hitel (K85)	2020/12/31	BUBOR	1.35%	HUF	1,812,477	1,565,509
OTP hitel (K85)	2020/12/31	EURIBOR	1.35%	EUR	0	268,306
Szent László Téri Kft.	2021/05/15	BUBOR	1.35%	HUF	678,468	0
ERSTE hitel (Teleconstruckt Kft.)	2022/12/31	EURIBOR	2.50%	EUR	4,272,805	0
Volksbank (Appenninn Solaris Zrt)	2018/01/30	EURIBOR	1.35%	EUR	236,587	0
CIB hitel (CW Properties Kft)**	2017/09/30	EURIBOR	3.00%	EUR	0	412,922
					45,019,418	42,363,863
Payable within 1 year					1,507,852	2,249,967

The Company agreed with Erste Bank to sign a 30 mEUR agreement about converting more than 50% of the current loan portfolio into EUR based loans. Due to the loan conversion, main part of the portfolio will be in line with the EUR based income,

As an assurance to the banks, mortgage was issued on the properties. Currency and interest rate risk is reflected under Note 40.

Company	Maturity date	Interest rate	Currency	31 December, 2013	31 December, 2012
LEHN consl.	Indefinite	1%	CHF	73,398	134,371
LEHN consl.	Indefinite	3%	EUR	16,970	13,502
LEHN consl.	Indefinite	3%	HUF	1,025,086	1,489,238
LEHN consl.	Indefinite	3%	HUF	97,673	99,557
LEHN consl.	Indefinite	5%	CHF	128,022	74,479
LEHN consl.	Indefinite	5%	HUF	41,090	624,120
LEHN consl.	Indefinite	3%	EUR	13,388	12,263
LEHN consl.	Indefinite	3%	EUR	0	6,001
LEHN consl.	Indefinite	3%	EUR	0	5,524
LEHN consl.	Indefinite	3%	EUR	50,500	50,500
Other borrowings	Indefinite			337,952	1,881,719
				1,784,079	4,391,274
Payable within 1 year				0	0

31. Deposits from tenants

Deposit from tenants	31 December, 2013	31 December, 2012
Balance at beginning of year	513,142	467,919
Inreased	313,675	66,670
Decrease	-194,602	-21,447
Balance at end of year	632,215	513,142

32. Finance lease liabilities

Finance lease liabilities

Financing company	Maturity date	Currency	31 December, 2013	31 December, 2012
CIB Lizing	01.12.2026	CHF	1,598,591	1,721,766
Merkantil Car Lizing	16.06.2014	EUR	89,274	231,628
Merkantil Car Lizing	16.06.2014	EUR	42,370	125,167
Merkantil Car Lizing	09.06.2014	HUF	41,222	125,160
			1,771,457	2,203,721
Payable within 1 year			249,777	369,453

	2013		2012	
	Present value	Minimum lease payments	Present value	Minimum lease payments
Within 1 year	249,777	887,003	107,618	442,844
After 1 year but no more than 5 years	303,080	1,192,372	139,246	625,487
More than 5 years	1,417,849	4,882,038	395,058	1,492,430
	1,970,706	6,961,412	641,922	2,560,761
Less: future interest costs	0	0	0	-357,040
Total	1,970,706	6,961,412	641,922	2,203,721

33. Deferred tax

	31 December, 2013	31 December, 2012
Deferred tax assets	361,008	397,223
Deferred tax liabilities	-2,407,565	-1,939,946
Deferred tax liabilities, net	-2,046,557	-1,542,723

34. Trade and other payables

	31 December, 2013	31 December, 2012
Trade payables	533,452	665,027
Other payables	461,965	12,153
	995,417	677,180

35. Tax liabilities

	31 December, 2013	31 December, 2012
Current year tax liabilities		
VAT	88,633	80,051
Property tax	71,924	53,486
Corporate income tax	1,930	21,669
Payroll taxes and contributions	2,994	4,957
Local municipality tax	18,019	4,233
Other taxes	6,143	7,285
Total	189,643	171,681

36. Deferred revenue and accrued expense

	31 December, 2013	31 December, 2012
Accrued interest payable	678,310	352,370
Other accrued expenses	133,522	276,110
Deferred income from lease activities	45,640	148,179
Deferred income from rental activities	90,209	88,156
	947,681	864,815

37. Related parties

Subsidiary	Relationship with the Group	Reference
Lehn Consult AG	Owner of the Group	Note 1.

Related party transactions with the above mentioned ultimate parent company:

Item	2013	2012
Purchase from related party	252,600	0
Interest expense paid to related party	50,557	209,516
Total receivable from related party	0	27,464
Total payable to related party	1,784,079	1,754,925

The Company purchased the 26% shares of Hattyúház Zrt. from Lehn Consult AG during the year.

No provision for impairment made on inter-company receivables in 2013 and 2012.
All transactions were contracted based on market conditions.

38. Payments to the Board of Directors and to the Audit Committee

	2013	2012
Remuneration of the Board of Directors (5 members)	3,705	5,150
Remuneration of the Audit Committee (3 members)	0	1,030
Total	3,705	6,180

39. Management of financial risks

The Group is exposed to risks from changes in the market and financial conditions that affect its results, assets and liabilities. Financial risk management aims to limit these risks through ongoing operational and finance activities.

Rental price risk:

The Group has been pursuing consistent and calculable rental pricing for its tenants. Current rental prices and conditions are in line with the environment and quality of the properties. Considering the current global economic climate and oversupply of Budapest office space market, however, there is no assurance that current rental prices and conditions can be maintained in the future.

Foreign currency risk:

The Group bears significant amount of foreign currency risk in relation to its debt service, which is mitigated by the fact that the majority of its rental income is generated in EUR, however the Group has significant amount of loan denominated in CHF. Further coverage derives from that the investment properties of the Company valued in EUR, so at year end, the fluctuation of foreign currency is taken consideration during the revaluation of the investment property portfolio.

The main transaction currencies are EUR and CHF, so the calculation of exchange rate exposure based on the fluctuation of these currencies:

Foreign currency rate sensitivity of the Group is summarized below:

2013	Foreign exchange rate		Effect on current year profit in EUR
	HUF/EUR	HUF/CHF	
103,49%	0,0035	0,0043	-2,593,508
		0,0041	-1,880,343
		0,0040	-885,275
100,00%	0,0034	0,0043	-713,165
		0,0041	
		0,0040	995,067
96,74%	0,0033	0,0043	372,598
		0,0041	1,085,764
		0,0040	2,080,831

2012	Foreign exchange rate		Effect on current year profit in EUR
	EUR/HUF	CHF/HUF	
96,57%	281,29	250,06	-2,367,327
		241,06	-1,519,881
		232,06	-672,435
100,00%	291,29		0
		250,06	-847,446
		241,06	0
103,43%	301,29	232,06	847,446
			0
		250,06	672,435
		241,06	1,519,881
		232,06	2 367 327

Interest rate risk:

Interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to primarily to the Group's long-term debt obligations with floating interest rates and finance lease liabilities (48,958,858 EUR as of 31 December, 2012 and 48,574,954 EUR as of 31 December, 2013). The Group paid an average of 3,0% interest rate on its loans in 2013.

Effect of the 50 basepoints change in the interest environment would have the following impact on the financial statements of the Group:

31 December 2013

Market	2,5%	3,0%	3,5%
Interest payable	-266,443	0	222,439

31 December 2012.

Market	2,7%	3,2%	3,7%
Interest payable	-225,510	0	212,122

Balances and conditions of loans included in note 32.

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 from its leasing activities and from its financing activities, including deposits with banks and financial investments.

Tenant receivables:

Credit risk is managed by requiring tenants to pay deposits or give bank guarantees in advance, depending on the credit quality of the tenant assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored.

Cash deposits and financial investments:

Credit risk from balances with banks and financial investments is managed in accordance with the Group's conservative investment policy. To limit credit risk, reserves are held in cash or bank deposits by reliable banks.

Liquidity risk:

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of deposits and loans.

The management anticipates that no liquidity difficulties will arise, since rental revenues are sufficient to cover debt service and cost of operation.

The Group settles its payment obligations within the payment term, and had no overdue payables as of December 31, 2013 and 2012.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2013 and 2012.

31 December, 2013	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total	Interest payable	Capital payable
Interest-bearing loans and borrowings	0	1,507,852	6,031,406	37,480,160	45,019,418	6,338,096	38,681,322
Deposits from tenants	0	0	632,215	0	632,215	0	632,215
Finance lease liabilities	0	249,777	999,108	522,572	1,771,457	314,195	1,457,262
Trade and other payables	0	995,417	0	0	995,417	0	995,417
Current tax payables	0	189,647	0	0	189,647	0	189,647
Liabilities	0	2,942,693	7,662,729	38,002,732	48,608,154	6,652,291	41,955,863

31 December, 2012	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total	Interest payable	Capital payable
Interest-bearing loans and borrowings	0	3,654,066	22,532,964	28,111,689	54,298,719	7,543,582	46,755,137
Deposits from tenants	0	0	513,142	0	513,142	0	513,142
Finance lease liabilities	0	442,844	625,486	1,492,431	2,560,761	357,040	2,203,721
Trade and other payables	0	677,180	0	0	677,180	0	677,180
Current tax payables	0	171,681	0	0	171,681	0	171,681
Liabilities	0	4,945,771	23,671,592	29,604,120	58,221,483	7,900,622	50,320,861

40. Capital risk management

The management's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the management monitors capital structure based on the debt service cover ratio (DSCR) and the loan-to-value ratio (LTV). DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum of the outstanding balances of the loan and the market value of the property. Client base of the Group is diverse and varied, so the financial realisation of the income does not depend on the liquidity of one or more bigger clients.

41. Significant events after the balance sheet date

On the extraordinary general meeting hold on 17 January 2014, the Company authorised the Board of Directors to increase the issued capital in the next five year, if it is in line with the growth plan. The entitlement from the General Meeting gives a possibility to increase the issued capital up to 10 billion HUF. Based on this the Board of Directors are able to broaden the issued capital in case of future need to ensure further growth and feasibility of new financing possibilities.

The Company – with a stronghold in the Category B office building market in Budapest – completed the energy efficiency check of its property portfolio. The energy efficiency boosting investments to be realised following it will be launched in 2014 in order to increase operational efficiency of the office building property portfolio and the company's mid-term profitability.

42. Approval of financial statements

The Annual General Meeting of Appeninn Vagyonkezelő Holding Nyrt. held on 28 February, 2014, approved the 2013 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 75,545,219 EUR and profit for the year of 1,500,678 EUR. The Board of Directors approved the issuance of the consolidated financial statement presented, however the Annual General Meeting of the owners authorised to approve the consolidated financial statements and may request changes before acceptance. Based on prior years experience the probability of the request for change from the Annual General Meeting of the owners is relatively small and unprecedented in the past.

43. Statements

We caution you that a number of important factors could cause actual results to differ materially from statements for the future.

Statement of responsibility – We declare that the Consolidated Financial Statements which have been prepared in accordance with the applicable accounting standards and the best knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of Appeninn Vagyonkezelő Holding Nyrt. and its undertakings included in the consolidation, development and performance of the Company and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.

Budapest, 28. February 2014.

György Károly
Chairman of the Board

György Ádámosi
Chairman of Audit Committee

